

**AN EMPIRICAL STUDY OF THE INTERNATIONAL HUMAN RESOURCE
MANAGEMENT STRATEGIES AND PRACTICES IN BRITISH
MULTINATIONALS**

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Refereed Articles

Brewster, C. and H. Scullion (1997). Expatriate HRM: A Review and an Agenda. Human Resource Management Journal, July, 3(3). (in press)

Teargarden, M., Von Glinow, M.A., Bowen, D. Frayne, C., Nason, S., Huo, P., Milliman, J., Arias, M.E., Butler, M.C., Geringer, J.M., Kim, N.H., Scullion, H., Lowe, K.B., Drost, E.A. (1995a). Toward a Theory of Comparative Management Research. An Idiographic Case Study of the Best International Human Resource Management Project, Academy of Management Journal, 38(5): 1261-1287. *

Scullion, H. (1994a). Staffing Policies and Strategic Control in British Multinationals. International Studies of Management and Organisation, 24(3): 18-35.

Scullion, H. (1992a). Key Issues in International Recruitment and Development. The British Perspective. The Management Development Journal of Singapore, 3(1): 37-46.

Scullion, H. (1992b). Strategic Recruitment and Development of the "International Manager". Some European Considerations. Human Resource Management Journal, 3(1): 57-69.

Book Chapters

Scullion, H. (1996). Staffing Policy and Practice in an International Food and Drink Company, in J. Storey, ed. Blackwell Cases in Human Resource and Change Management, Routledge, London, 356-364.

Scullion, H. (1995b). International Human Resource Management in J Storey ed. Human Resource Management: A Critical Text. Routledge, London 352-382.

Scullion, H. (1994b). Creating International Managers, Recruitment and Development Issues in P. Kirkbride, ed. Human Resource Management in Europe. Routledge, London, 198-212.

* In the doctoral statement this article will be referred to as Teargarden and Scullion (1995a) for reasons of brevity.

DOCTORAL STATEMENT
(in part fulfillment for the degree of Doctor of Philosophy)

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Hugh Scullion
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Introduction

While working at Warwick University's Industrial Relations Research Unit (1978-83), the leading centre in the UK for the study of industrial relations, I co-authored a book (Edwards and Scullion, 1982) and published a number of articles in leading journals (e.g. Scullion, 1981, Edwards and Scullion, 1982 and Edwards and Scullion, 1984) which are widely recognised as a significant contribution to the study of industrial relations. From the mid 1980s the field of industrial relations and personnel began to be superseded by the emergence of the new field of Human Resource Management (HRM). Whereas the management of industrial relations and personnel had been reactive, non strategic and largely concerned with short term problems, HRM was essentially concerned with the management of people in relation to the strategic objectives of the business. HRM is seen as long term and proactive aimed at the maximum utilisation of the human resource. I contributed significantly to the development of this new approach through my study of the role of the corporate level of HR function in large UK firms. This research examined the question under what conditions are we likely to find HRM in practice? The research developed a contingency model which suggested that HRM will be influenced by corporate strategy and structure. This research has been very influential in business and academic debates, and one key implication for business practice was the suggestion that the trend towards diversification and decentralisation was a major constraint on the development of HRM (Sisson and Scullion, 1985).

My principal contribution to the field of Human Resource Management and the proposed basis for the award of the degree of PhD is the major role I played in developing the sub-field of International Human Resource Management in the UK and Europe. The field of HRM had become more linked to the needs of the business, which in turn have become more international and strategic. Hence the emergence of international HRM and the growing recognition that the success of global business depends most importantly on the quality of a multinational's human resources and how

effectively these critical resources are managed and developed (Schuler et al, 1993). International HRM may be defined as the HRM issues and problems arising from the internationalisation of business and the HRM strategies, policies and practices which firms pursue in relation to the internationalisation process (Scullion, 1995b). My study of international HRM within British Multinationals (MNCs), focusing mainly on the issues of expatriate management increased our awareness of the growing importance of the International dimension of human resource management. In particular the research (Scullion, 1992b, 1995b, Brewster and Scullion, 1997) identified a number of reasons why an understanding of International HRM in British Multinationals is of growing importance at the present time. These reasons are outlined below:

a) Recent years have seen rapid increases in global activity and global competition (Young and Hamill 1992). As the multinational corporations (MNCs) increase in number and influence so the role of International HRM in those MNCs grows in significance.

b) In international business, the quality of management seems to be even more critical than in domestic operations, and the effective management of human resources internationally is increasingly being recognised as a major determinant of success or failure in international business. (Dowling and Schuler, 1990).

c) Surveys of European firms reveal that many of the companies had experienced shortages of international managers and that future shortages were anticipated. This suggests that the successful implementation of global strategies may be constrained by an inadequate supply of internationally experienced managers (Scullion, 1992b).

d) The advent of the Single European Market and the rapid growth of British direct investment abroad, (Hamill, 1992), mean that International HRM issues are increasingly important concerns in a far wider range of organisations than the traditional giant multi-nationals: particularly amongst the growing number of smaller and medium sized companies who have significantly internationalised their operations in recent years (Scullion, 1995b, Brewster and Scullion, 1997).

e) It is increasingly recognised that the human and financial costs of failure in the international business arena are much more severe than in domestic business. In particular, indirect costs such as loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai, 1984). Also, there is growing evidence that many companies underestimate the complex nature of HRM problems involved in international operations and that business failures in the international arena may often be linked to poor management of human resources (Tung, 1984).

Yet despite the growing recognition that the effective management of human resources is a major determinant of success or failure in international business, and the growing evidence that MNCs which fail to have an appropriate human resource strategy for recruiting and developing "international managers" will be unable to effectively implement their international business strategies (Bartlett, Doz and Hedlund, 1989), International HRM remains one of the least studied areas in international business (Brewster, 1991). The majority of the research on multinational companies focuses on highly visible strategies and activities such as international business strategies, international production and international marketing (Ondrack, 1985). In particular, the area of international HRM has received relatively little attention in terms of detailed empirical research - especially in relation to firms that have their headquarters outside North America. My empirical study of International HRM in British firms was particularly appropriate for three main reasons in addition to those cited above. First, though a great deal of existing research on International HRM focuses on American firms, British capital is more globally oriented than that of any other major advanced economy (Edwards et al, 1996). More than any other large industrial nation, the British economy is dominated by multinational companies. British companies are unusual, when compared with their counterparts in France, Germany, the US and Japan, in the extent to which their activities and assets are located overseas rather than at home (Marginson 1994). Also the 1980s and 1990s saw a significant increase in the pace of internationalisation of UK companies partly as a result of the substantial rise in overseas acquisitions primarily in North America and

Europe (Hamill, 1992). Second, many British firms are well known for their short-term focus and lack of attention to training and management development. An important question which concerns researchers here is how does this effect the ability of British MNCs to develop an international cadre of managers? (Edwards et al, 1996). Third, with the exception of a pilot study of seven British MNCs (Hamill, 1989) and comparative survey work (Brewster, 1991) there was an almost complete dearth of empirical evidence in the management discipline concerning the international management of human resources within British MNCs.

Critique of International HRM Literature

Prior to my study of International HRM there were relatively few empirically based studies in this area in Europe. The bulk of research in this field had been conducted by American researchers on American expatriates from an American rather than an international perspective (Boyacigiller and Adler, 1991). My review of the International HRM literature (Scullion, 1995b), in addition to identifying key issues and areas of concern, exposed weaknesses in the research and gaps in the subject area.

In particular the existing literature had not proved to be very helpful in identifying the International HRM policies and practices of companies. This reflected the predominant bias in most of the personnel management literature toward idealised, prescriptive models with little real data about actual practices in real contexts. In addition it has been argued (Brewster, 1991) that much of the literature on the management of expatriates is still open to the criticisms of Schollhammer (1975), as being: 1) descriptive and lacking in analytical rigour; 2) ad hoc and expedient in research design and planning; 3) self-centred in the sense that the existing research literature is frequently ignored; and 4) lacking a sustained research effort to develop case material. Kochan et al (1992) suggest that the International HRM literature suffers from the same conceptual and normative limitations of much of the traditional domestic personnel research, and that the work is largely an extension of the field of personnel management designed to meet the needs of international companies.

A further weakness of the International HRM research is that until very recently (Schuler et al, 1993, Scullion, 1996) there were very few studies which attempted to link human resource strategy to the international corporate strategy of the firm. Also in many previous studies the Human Resource Management strategies of MNCs have had to be inferred from the studies of other strategies and operations of the firm. (Ondrack, 1985).

There were two principal aims of my research project on International HRM. The first was to contribute to a better understanding of the human resource management issues and problems associated with the internationalisation of UK business. The second was to contribute to our understanding of the human resource management strategies, policies and practices UK firms pursue in response to the internationalisation process. My review of the literature highlighted a pronounced lack of empirical data in these areas, and confirmed that in addition, there was no previous study which systematically examined International HRM in British companies. My research project also aimed to contribute to a better understanding of the relationship between international business strategy and international human resource management; an area which was in the very early stages of development. Only rarely, such as in the study of Edstrom and Galbraith (1997) had personnel management been studied as a matter of human resources strategy, closely related to the international corporate strategy of the firm. In contrast, my research examined how international human resource policy was formulated and implemented and the problems encountered. This approach highlighted the often considerable differences between international HRM policies and the actual international HRM practices pursued by the firms. The research also aimed to compare the International HRM strategies, policies and practices of UK MNCs with the existing literature on US and Japanese MNCs. In addition to identifying the important changes in International HRM policy and practice, the study also sought to explain the changes and to consider the implications for the MNC at corporate level and for different groups of management within the MNC.

Finally, the purpose of this research work was also to contribute to theory building by examining the International HRM activities involved in expatriate management in the context of the organisation within which such activities take place. It attempted to establish patterns and trends which could be interpreted as linkages or inter relationships between these International HRM activities and other organisational factors. The aim, therefore, was to avoid merely duplicating existing studies of expatriate management, although prior knowledge in this area did form the starting point. In the field of International HRM there remains a dearth of empirical work which deals with theory-building, and in this respect International HRM remains very much a scientific field in its infancy (Laurent, 1986). Empirical studies that seek to develop an understanding of the factors involved in expatriate management are required to assist in the development of well-grounded theories relating to International HRM. Consistent with the purpose stated above, the investigation followed a qualitative approach which is discussed below.

My study of British MNCs was the first comprehensive study of International HRM policies and practices in the UK. One particular feature of my study was the exclusive focus on managing managers in the international business firm. Many previous studies had mainly focused on managing the labour force and only paid marginal attention to managing managers. (Negandhi, 1987). Forty five international companies participated in the study. Forty companies were British-owned and five were Irish-owned international firms. The sample was specifically chosen to include companies from both the manufacturing and the service sectors. Twenty-six companies in the study were primarily manufacturing firms and sixteen were service sector firms. Two oil companies and one mining company also participated. The size of the companies in this international firm sample ranges from medium to very large, with the total number of employees world wide ranging from 9,500 to 240,000. The smaller size of the Irish international firms and their relatively recent internationalisation were two principal reasons for their inclusion in the study. Previous studies had focused exclusively on giant MNCs (Walsh, 1995).

My empirical study made a significant contribution to our understanding of International HRM in British multinationals in the following areas: 1) Strategy and International HRM, 2) The Performance of Expatriate Managers, 3) International Staffing, 4) International Management Development and 5) Changing Patterns of Expatriation. The contribution of my research to each of these areas will be examined below. In addition the links between the different articles will be discussed.

The other study which contributes significantly to the field of International HRM is Teargarden and Scullion, et al (1995a) which is a case study of the Best International Human Resource Management Project, a multinational, multi-cultural, inter-disciplinary research consortium designed to benchmark best international human resource management policies. Over the past five years I have played a key role in the development of this research consortium and made a major contribution to the work on methodologies for international comparative management research. The study documents the evolution of an international research group that sought to conduct a more rigorous and systematic approach to cross-cultural international management research than previous research investigating international human resource management practices.

Strategy and International HRM

My work on International HRM in UK MNCs contributes to our understanding of the links between international HRM policies and practices and international corporate strategy. In general terms, Scullion (1995b) increased our awareness of the strategic importance of HRM at the international level, and increased our understanding at the multinational level of how firms' strategic choice imposes limits on the range of HRM practices. It was argued that there should be distinct differences in international HRM policy and practice between firms pursuing different types of international business strategies. Similarly Brewster and Scullion's (1997) critique of the traditional literature on managing expatriates suggested a new research agenda

which explores the links between expatriation policies and international corporate strategy.

Scullion (1995b) identified the management of expatriates as the current focus of International HRM research while suggesting that there is growing interest in the relationship between corporate strategy, international HRM and organisational structure. It was suggested that increasingly the central issue for MNCs was not to identify the best international HRM policy per se, but rather to find the best fit between the firm's strategy, structure and HRM approach. The conclusion of the brief review of multinational strategy and International HRM is that while global strategy is a significant determinant of International HRM Policy and practice, international human resources are a strategic resource which should affect the formulation of strategy as well as its implementation (Kobrin, 1992).

The review also highlighted that the problems of control are significantly exacerbated in the multinational where operations are dispersed over considerable geographic and cultural distances and the environment is complex and heterogeneous (Baliga and Jaeger, 1984). Various modes of control were examined including personal control, bureaucratic control and control by socialisation. Bureaucratic control relies essentially on recording and reporting but in the multinational context also involves using expatriates who remain agents of central control. Edstrom and Galbraith (1977) argue that control through centralisation is impossible in the large organisation and that control through socialisation requires more frequent transfers of personnel and integration of expatriates into the local culture.

A similar approach is suggested by Dowling and Schuler (1990) who identify two main types of control mechanism in the multinational company: output control which involves monitoring through data and cultural control which relies on personnel transfers and the socialisation of employees to direct and control subsidiary performance. In summary, we can distinguish between people - based control mechanisms and bureaucratic or output based control, with the former including both

direct behavioural control (expatriates in key positions) and control through culture and / or socialisation (Kobrin,1992).

There are strong links between the review article (Scullion, 1995b) and the articles on staffing policies (Scullion, 1992b,1994a) and the case study article (Scullion, 1996) which connects International HRM policies, and staffing policy in particular, with strategy and the strategic evolution of the firm. My articles dealing with international staffing (e.g. Scullion, 1994b, 1992b) have followed the recent trend towards the consideration of staffing questions in a more strategic context (Doz and Prahalad, 1986). This approach suggests that rather than adhering to a particular policy, MNCs should rather consider global strategy as well as local conditions in determining local staffing approaches. In addition, attempts have been made to develop models of international assignments identifying which assignments are appropriate for expatriates (Scullion, 1995b; Edwards and Brewster, 1996). There is also a strong link between Scullion (1995b) which argues that control modes may change as the firm's strategy evolves over time, and Scullion, (1994a) which demonstrates that staffing policy is a key method of maintaining strategic control in British MNCs. Also Scullion (1994a) provided evidence that expatriates are more likely to be used in the early stages of internationalisation. This is consistent with previous research which shows that control and trust are particularly important in the early stages of internationalisation (Zeira, 1976). The recent case study (Scullion, 1996) charted an example of a multinational which passed through various stages of internationalisation between evolution from a domestic to a truly global organisation. The case highlighted particularly well the argument that international HR strategy should be linked to corporate strategy and that international staffing strategies must be linked to the strategic evolution of the firm. As the international company moved beyond the early phase of internationalisation and adopted a highly decentralised approach, the disadvantages of an ethnocentric staffing policy became increasingly significant. The company attempted to shift to a polycentric approach which was seen as more consistent with its business strategy and organisational structure (Tichy et al.

1982). A key element of the international human resource strategy was to "localise" management in the operating companies by developing host country national managers to take over the running of foreign business and withdrawing the expatriates. There is a link here with the articles on staffing (Scullion, 1994a, 1994b). While the case study company adopted a formal staffing policy which favoured using host country managers to run their foreign operations, in practice there had been a very significant increase in the use of expatriates to run their foreign operations. The case study illustrated therefore the more general concern that the implementation of the localisation strategy is a major problem for British MNCs, many of whom have tended to neglect the training and development needs of their host country managers (Shaeffer, 1989).

There is also a link between Scullion's (1995b) review of the research which examines the links between corporate strategy and International HRM and Teargarden and Scullion et al (1995a). This latter article suggests that the linkage of global strategy and international HR practice should be born out of the realisation that the power to become a truly global firm rests with the organisation's human resources, and that best practice dictates that strategic functioning on a global level relies on the organisation's utilisation of HR practice in achieving strategic goals. The goal of this research was to identify human resource-based solutions to organisational problems that create and maintain sustainable competitive advantage. The research team sought to identify human resource management practices that could help to make an organisation more competitive under different circumstances.

Limitations of existing HRM research efforts, including observations that there has been little systematic empirical research assessing strategic HRM practices and little explanation of how HRM can build organisational capabilities (Bartlett and Ghoshal, 1992) provided partial impetus for the research. An additional impetus was the view that few studies of "best practices" have included cross-cultural and international human resource variables even though business is strongly influenced by such variables. Two key questions explored in the project highlight the focus on corporate strategy and human resource management. 1) Are there universal best HRM

practices or only situation-specific best practices? and 2) does HRM effectiveness vary with business strategy, national culture or a firm's external environment? This approach is consistent with the argument in Scullion (1995b) that the fundamental strategic management problem is to keep the strategy, structure and human resource dimensions of the organisation in direct alignment.

The Performance of Expatriate Managers

An important issue in the international staffing literature is that of expatriate failure, which is usually defined as the premature return of an expatriate manager (Dowling and Welch, 1988). The literature suggests that expatriate failure remains a significant problem, particularly for US MNCs, where failure rates remain relatively high, ranging between 25 and 40 percent (Mendenhall and Oddou, 1985). Indeed there is some evidence that US MNCs reduced considerably the number of expatriates they employed partly in response to the high expatriate failure rate (Kobrin, 1988).

In the field of expatriate failure rates however the majority of publications do not present any original data (Harzing 1995). A major conclusion of my study which was based on solid empirical evidence, was that the expatriate failure rate in British Multinationals is considerably lower than in comparison with US companies (Scullion, 1992a). This finding was recently cited by Harzing (1995) and Hendry (1996) as being consistent with recent research which suggests that European MNC's experience lower expatriate failure rates than US companies (Harzing, 1995).

The research also contributed to our understanding of the reasons for the lower British expatriate failure rate. Four principal reasons were identified (Scullion, 1992a, 1995b): 1) British MNCs had more effective international HRM policies, 2) Expatriate assignments were normally seen as a key part of the overall management development process, 3) British managers were seen as more international in their orientation and outlook than US managers and 4) British MNCs may be prepared to

accept lower standards of performance and expatriates who are under-performing may not be recalled so readily as in US MNCs (Hamill, 1989).

However, my research was also critical of the significance attached to the expatriate failure rate in previous research and emphasises the importance of using a much broader definition of failure including under performance (Scullion, 1995b). It was argued that the low British expatriate failure rate did not mean that companies were not concerned with the performance of expatriates, and that from a company perspective, a definition of failure based on the premature return from an international assignment almost certainly underestimates the problem. Expatriate under-performance is a far more frequent problem than failure of the type that requires repatriation. To summarise, my research suggested that the expatriate failure rate is a far from perfect measure of success or failure, and raises questions about the usefulness of defining expatriate failure so narrowly (Scullion, 1992a).

My study also highlighted the need to pay more attention to the reasons for expatriate failure. In the present study, family-related problems, particularly the inability of the spouse to adapt to the new culture, emerged as the major reason for poor performance in international assignments (Scullion, 1992a, 1995b). This finding was consistent with recent European research which highlights the growing importance of considering the family factor in the selection and training practices of MNCs (Brewster, 1991). However, while most UK companies in the above study claimed that they recognised the importance of this factor, the research revealed that in practice only a minority of companies reported that they actually took it into consideration in their selection decisions (Scullion, 1995b). Given the importance of this factor to the success of international assignments, the implication is that British MNCs should review their selection procedures to more fully take account of the "family factor".

There is a link between the findings on low British expatriate failure rates (Scullion, 1992a) and the findings on international staffing (Scullion, 1992b, 1994a) which show that British MNCs continue to rely heavily on expatriates to run their foreign operations. While the study identified a range of reasons for employing

expatriates in British MNCs, the finding that 90% of British companies were satisfied with the performance of their expatriates is significant in this context. There is also evidence that US MNCs have tended to use Host Country National managers to replace expatriates primarily in response to the difficulties US managers have experienced in adjusting to other cultural environments (Kobrin, 1988).

Finally, there is a link between the above discussion on expatriate performance and Scullion (1995b) which highlighted the complexity of the issues surrounding the question of performance measurement and management in MNCs (Schuler, et al, 1991). The article suggested that, despite the high costs of expatriate failure and the growing tendency to see expatriates as key human assets, performance appraisal systems for expatriates are far from universal. It also highlighted that the criteria used for the performance appraisal of international managers has, in practice, received relatively little attention in the literature.

Repatriation

A significant contribution made by my research was the identification of the repatriation of managers as a major problem for British multinationals (Scullion, 1992b, 1994a). Whereas under 10 percent of firms reported concerns with the performance of expatriates, over 70 percent of firms in the study said they faced significant problems regarding re-entry of expatriate managers. The research also highlighted that concerns over re-entry may lead to low morale and a higher turnover of expatriates. A key problem for the majority of companies was finding suitable posts for repatriates of similar status and responsibility to those positions they held abroad (Scullion, 1992b, 1994b).

The research also contributed significantly to our understanding of the changing nature of the repatriation problem. The research showed that for many British MNCs this problem had become more acute in recent years because, for many of the companies, expansion of overseas operations had taken place at the same time as the rationalisation of UK operations, thereby reducing the number of senior posts in the UK. The research also identified from the repatriate perspective other problems

associated with reintegrating into the UK such as loss of status, loss of autonomy, loss of career direction, and a feeling that international experience is undervalued by the company (Scullion, 1994a, Johnston, 1991).

The research identified that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry, managers will be more reluctant to accept the offer of international assignments (Scullion, 1994b). Research in North America indicates that 20 percent of all managers who complete foreign assignments wish to leave their company on return (Adler, 1986). The research also highlighted that despite the growing problem of expatriate turnover and the considerable costs associated with this (Dowling and Schuler, 1994), very few British MNCs had introduced formal repatriation programmes to assist managers and their families with repatriation difficulties. Similarly, very few companies had introduced effective mentor systems designed to assist the career progression of the expatriate manager. Many expatriate managers were concerned about losing out on opportunities at home, and in some companies, this was a constraint on their willingness to go abroad. In summary, the research identified the need to give a higher priority to the issue of repatriation in order to encourage international mobility and to help secure an adequate future supply of international managers. (Scullion, 1992b, 1994b).

International Staffing

To date, the bulk of research on International HRM has been in the area of staffing. Scullion (1995b) identified the main topics in international staffing research as the nationality of subsidiary managers, selection criteria for managers and models to use in the staffing process. There is a link between the review of executive nationality policies (Scullion, 1995b) and the empirical work on the staffing policies and practices of UK MNCs (e.g. Scullion, 1992b, 1994b). The former identified that international firms face three alternatives with respect to the staffing of management positions

abroad; the employment of parent country nationals, host country nationals or third country nationals. The nationality question centres on human resource concerns, strategic concerns related to the firm's flexibility in making strategic shifts, and on maintaining a global perspective versus local needs. The research on international staffing reflects both the human resources and the more strategic orientations (Dowling and Schuler, 1994). The research on executive nationality policies indicates that a multinational company can choose from five options; ethnocentric, polycentric, geocentric, mixed and ad hoc. (Heenan and Perlmutter, 1979). The advantages and disadvantages of each of these approaches were critically reviewed in relation to the different stages of the internationalisation process. (Scullion, 1995b).

My research also contributed significantly to the field of international staffing by identifying and explaining the trends in international staffing in British multinationals; an area previously lacking detailed empirical research (e.g. Scullion, 1992b, 1994b, Brewster and Scullion, 1997). Much of the research on international staffing focused on the advantages and disadvantages of using expatriates as opposed to local managers and the research identified a range of host-country, company and individual factors as important considerations in international staffing decisions (Boyacigiller, 1990). Much of the previous research in this area was, however, largely descriptive and lacking in analytical rigour (Brewster, 1991). My research has shifted towards considering staffing questions in a more strategic context and suggests that multinationals should consider global strategy as well as local conditions in determining appropriate staffing policies (Scullion 1994a, Scullion and Brewster, 1997).

A major finding of my empirical examination of staffing practices in British MNCs, was that a majority of the companies continued to rely heavily on expatriates to run their foreign operations. The research showed that, while almost 50 percent of companies had formal policies favouring the use of host-country managers to run their foreign operations, in practice just over one-third operated with host-country nationals in senior management positions. Furthermore, the research highlighted that over the

previous decade the trend had moved in the direction of greater use of expatriates. (Scullion, 1992b, 1994b).

These findings highlighted the significant difference between international staffing policies of the companies and the actual staffing practices which were implemented. They also highlight the limitations of rationalistic models which see strategy as a process of planning that is conscious, pro-active, long term and integrative. In such models the focus is on the planning and strategic choice decisions at the centre, with far less attention paid to implementation at operating levels. Legge (1995) argues that in its most extreme form, such a perspective on strategy gives the appearance of assuming implementation is automatic and unproblematic and that “espoused theory” is the same as “theory in use”. (Argyris and Schon, 1978). It also assumes more consensus between functions and levels in the hierarchy than is normally evident in practice. This raises more general questions about the conceptualization of strategy. An alternative model, the processual view of strategy identifies strategy less from the perspective of the intentions of the centre and more in the often non-articulated, but emergent and recurring patterns of decisions and actions throughout the organization that retrospectively show some coherence (Mintzberg, 1978, Mintzberg and Waters, 1985). This approach is more sensitive to exploring differences between the headquarters and the subsidiaries and differences between functions across the organization. Legge (1995) suggests that Mintzberg’s (1978) approach to the identification of strategies seems to be that implicitly adopted in the derivation of most typologies of personnel management style. On the other hand, other commentators such as Marchington and Parker (1990, p58.) claim that with this approach there is a risk of “imputing rationality from the consequences of actions which, with the benefit of hindsight, appear as conscious and intentional”.

The research findings also identified the implementation of Human Resource Strategy as a problem area for British multinationals and raised serious questions about the ability and commitment of some British multinationals to effectively identify and develop host country managers in their foreign operations (Scullion, 1992b). More

generally the research identified the recruitment and development of host-country managers as a vital issue for British multinationals. (Scullion, 1994a).

The findings of my study on UK MNCs on staffing practices revealed sharp differences between UK and American experience. This links in with the previous discussion on expatriate failure rates. Whereas British MNCs have relied heavily on expatriates (e.g. Scullion 1992a, 1994b), in recent years there has been a tendency among American MNCs to assign more host country nationals to key positions in foreign subsidiaries (eg Kobrin, 1988). Kobrin (1988) argued that the tendency of US firms to reduce the number of expatriates had gone too far. My research highlighted the more general differences in approach to international staffing between US and UK multinationals and provided support for the view that we need a more European approach to international HRM (Brewster, 1995). It also offers support for those expressing caution regarding an uncritical and unmodified adaption of concepts derived in the North American context (Brewster and Burnois, 1991). My study also provides empirical support for the theoretical argument that an ethnocentric approach to staffing will be more appropriate to the European context over the next decade. (Mayrhofer, 1992).

Reasons for the use of expatriates

The reasons why organisations appoint expatriates, rather than locals, have been the subject of much speculation and some limited empirical research. (Brewster, 1991). There has been very little research since the seminal work of Perlmutter and Heenan (1974) into the question of when it is appropriate to use expatriates. One detailed comparative study found that MNCs based in the US used expatriates to start up new business operations, and for their greater technical expertise; Japanese MNCs argued that they simply picked the best person for the job, who were usually Japanese: European companies gave management development as the main reason. (Tung, 1982).

My study was the first comprehensive empirical examination of the reasons for employing parent country expatriates in British MNCs and made a significant

contribution to our understanding in this area. The research (Scullion, 1994a, 1994b) identified a wider range of principal reasons for employing expatriates than in previous studies. The first was the lack of availability of management skills in some countries. The second major reason cited for using expatriates was control of local operations. Only rarely has control been identified in previous research on US multinationals, but this finding is consistent with evidence from European MNCs (Torbiorn, 1982). A linked reason for using senior expatriates was to maintain trust in key foreign business following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquired companies than will be the case in greenfield sites (Hamill, 1989). The identification of trust as a major factor in relation to very senior expatriates was a very significant finding and was related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s (Scullion, 1994a).

The research also found that using expatriates for management development purposes was important and was increasing in significance for British multinationals (Scullion, 1994a). This reflects the tendency in British companies to see expatriation as part of the career development process (Hamill, 1989). This practice was in sharp contrast with US MNCs, where management development concerns were less significant in international staffing (Dowling and Schuler, 1990), and is cited above as one factor to explain the lower expatriate failure rate in British MNCs.

The performance of foreign subsidiaries also emerged as a significant factor influencing the use of expatriates. This finding is well supported in the literature, which has often reported that crises accentuate headquarters' control (Hamill, 1989). Another factor identified by the research as influencing the approach of companies was the strong expectation on the part of major foreign customers that the top managers in the host country should be parent company nationals. In this context, public relations and marketing were usually the key roles. Previous research has largely ignored this factor because it has concentrated on the very largest multinationals and has tended to neglect the service sector (Brewster, 1991).

Finally the research identified weaknesses in the training and development of Host Country Nationals and Third Country National managers as an important reason in explaining their continued use of expatriates beyond the early stages of internationalisation. These findings raise serious questions about the ability and commitment of some British MNCs to develop new generations of local managers to take over key positions in their foreign operations.

International Management Development

Scullion (1992a) identified the shortage of "international managers" as an increasingly important problem for British MNCs. The empirical research showed that two-thirds of the companies had experienced shortages of international managers and over 70 percent indicated that future shortages were anticipated (Scullion 1992b, Scullion 1994b). This is an important finding given that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers (Hamill, 1989, Scullion, 1992b).

The research also contributed to our knowledge of the reasons for the shortages of international managers, with the faster pace of internationalisation being cited as the primary reason (Scullion, 1994b). However, the study also identified failures to effectively recruit, retain and develop host country managers as a key reason to explain shortages (Scullion, 1994b). This is consistent with previous research which argues that many international firms focus most of their managerial development efforts on their parent country nationals' managers (Shaeffer, 1989).

The research also contributed to our understanding of the complexity of recruiting host country national managers compared to recruiting in the home country. A number of factors were identified which made the recruitment of Host Country national managers more difficult and costly compared to recruiting home country. These include the following: lack of knowledge of local labour markets, ignorance of

the local education system and the status of qualifications, language and cultural problems at interviews, and trying to transfer recruitment methods which work well at home to foreign countries (Scullion, 1992b, 1994b).

Scullion, (1995b) also highlighted three important lessons for international firms which are committed to developing Host Country national and Third Country national managers. First, is the need to avoid the mistake of simply exporting parent-country training and development programmes to other countries (Dowling and Schuler, 1990). Second, the management development programmes for host-country nationals need to be linked to the strategic situation in each country, as well as to the overall strategy of the firm. This need to take into account a variety of foreign product market situations highlighted the complexity of devising appropriate management development programmes (Scullion, 1992b). Third is the need to utilise much further the practice of developing host country managers through developmental transfers to corporate headquarters. While it has been argued that this approach to development can be very effective in helping to develop global management teams (Prahalad and Doz, 1987), the present research indicated that a majority of British companies still failed to recognise the need to develop high potential host country managers for senior positions outside their own countries, which it was argued exacerbates the problem of attracting and retaining high-potential managers in the host countries (Scullion, 1994a).

My study also contributed significantly to our understanding of the Human Resource strategies pursued in response to the international management development challenges discussed above. My study of UK MNCs identified five main strategies by firms in internationalising their managers in response to the shortages of international managers (Scullion, 1992b): 1) More than one-third of the companies reported that they were sending young high potential managers on international assignments. 2) there was a more general trend to give international experience to a wider range of managers. These were significant initiatives given the previous practice of limiting international experience to a relatively small group of expatriates. 3) There was a

rapid growth in the importance of external recruitment to fill management positions abroad. This was a particularly significant finding given the traditional practice in British MNCs of relying almost exclusively on internal recruitment for expatriate positions. 4) One third of the companies attempted to sell themselves more effectively to graduates through various types of marketing designed to highlight the international nature of their activities. Less than 20 percent of companies, however, had broadened their source of graduate recruitment to include some continental European countries. 5) There was growing recognition of the importance of developing effective international management development programmes to help secure an adequate supply of international managers. In particular, the majority of firms reported that they were allocating more resources to international management education and training for senior managers (Scullion, 1992b, 1995b).

Scullion (1992b, 1994a) also identified two areas where British companies were failing to take effective action to ease the acute shortage of international managers. First, there was evidence, discussed above, that British MNCs were ineffective in the measures taken to respond to repatriation problems. Second, there was evidence that British MNCs were not taking effective measures to increase the proportion of women in international management. International management has long been a masculine preserve (Adler, 1984). The lack of willingness to recruit and develop women as international managers should be an important concern for British MNCs given the evidence on shortages of international managers (Brewster and Scullion, 1997) and the suggestion of recent research that women are well suited to international team management. (Jelinek and Adler, 1987).

The Single European Market - HRM Challenges

In the late 1980s there was considerable debate over the need to create 'Euro-managers' in preparation for the single European Market. There was however, little empirical evidence informing this debate and some authors referred to the myth of Euro-managers (Storey, 1992). My empirical study of forty five large international companies showed that 80 percent of firms felt that the main challenge arising from the

advent of the single European market was to secure an adequate supply of international managers, and over 70 percent of companies identified recruitment as a priority human resource area. The upgrading of management skills and competences was identified as a priority by a majority of companies in order to compete effectively in the new Europe and the research indicated that there was particular concern over the managerial skills and competences needed to deal with the complex HRM issues and problems associated with the growth of international joint ventures and strategic alliances (Scullion, 1994a).

In summary, this area of my research suggests that the most formidable task facing UK companies wishing to operate abroad is the recruitment and development of a broad cadre of managers and executives who understand and can operate effectively in the international market, and that companies need to take a strategic approach to management development (Storey, 1992). This links with the discussion in the previous section exploring the links between corporate strategy and HRM.

In practice, the impact of the Single European Market on HRM strategy varied according to the stage of internationalisation and the overall strategy of the firm (Scullion, 1992b). Most multinationals traditionally pass through various stages of internationalisation during their evolution from a domestic to a truly global organisation (Negandhi, 1987). My study highlighted that for some global or transnational firms, the impact of the Single European Market on HR strategy was marginal rather than central. By contrast, for firms which had internationalised in the recent past with a strong European focus, the Single Market represented a major HR challenge. The findings of my study provide support for the argument that organisationally the multinational companies were responding to European integration in contradictory ways and therefore questions the notion that UK multinational activity is inevitably assuming a European direction (Walsh, 1996).

Recent research on multinational companies has revealed a movement away from more traditional organizational structures towards greater decentralization, accompanied by a reduction in hierarchical levels. This shift is facilitated by the development of networks

of personal relationships that work through informal, horizontal communication channels(Bartlett and Ghoshal,1990,a). Earlier studies of headquarter- subsidiary relationships tended to stress the flows from headquarters to subsidiary, examining the relationships mainly in the context of control and co-ordination. There is growing recognition, however , that for relatively internationalized firms this approach has significant limitations as the former periphery of subsidiaries can develop into significant centres for investments, key activities and influence (Dowling et al, 1994)

Forsgren (1990) argues that it is more realistic to regard some MNCs as loosely coupled political systems rather than tightly bonded, homogenous, hierarchically controlled systems. In respect of these developments Bartlett and Ghoshal (1990,b) have developed the notion of the MNC as an interorganizational system - a network of exchange relationships among different organizational units including external organizations (e.g. host governments, customers, suppliers and competitors) as well as headquarters and national subsidiaries. The management of these network multi-centred multinationals is complex. It has been argued that human resource management plays a key role in this type of multinational and that personal networks and informal communication are important means of control in the network multinational. For example MNCs can exert centralised control through the use of expatriates, who may be trusted to implement corporate policies and procedures, and becomes a de facto centralising control mechanism. (Marschan, Welch and Welch, 1997). Since network relationships are built and maintained through personal contact, staffing decisions are crucial to the effective management of the linkages that the various subsidiaries have established (Dowling et al., 1994).

Barriers to International Mobility

My research suggested that the problem of ensuring an adequate supply of international managers is further exacerbated by growing resistance to international

mobility. In my recent study of UK MNCs more than half the firms suggested that individuals were becoming less internationally mobile, just at the time when there was a growing need for international managers because of expansion abroad. In this study the reduction in international mobility was attributed to several factors including continued rationalisation in the UK which created uncertainties regarding re-entry; the growing unwillingness to disrupt the education of children; the growing importance of quality of life considerations and, finally continued uncertainty regarding international terrorism and political unrest (Scullion, 1992b).

My recent research highlighted that for many companies the dual career problem and disruption to children's education were seen as major barriers to international mobility in the future. In the past working spouses were less common, generally female and prepared to follow their partners' career transfers (Hall and Hall, 1987). The growing significance of the dual career factor was also considered in the literature review (Scullion, 1995b). Two particular developments were highlighted here. First, more and more women have or seek careers, not just jobs. For many, it would be impossible to continue their careers in a foreign country (Devanna, 1987). Increasingly international mobility is limited by the dual career factor, which also poses restrictions on the career development plans of multinationals. Second, there is some evidence to suggest that families are less willing to disrupt their personal and social lives than was the case in the past (e.g. Brewster 1991).

In summary, my research suggests that restrictions on international mobility appear to be growing just at the time when the need for international mobility is becoming vital for the internationalisation of UK businesses, and that the problem of international mobility could emerge as a key factor in determining the international capability of a firm (Scullion, 1992b).

The Changing Nature of Expatriation

Brewster and Scullion (1997) identified some key changes in the nature of expatriation and suggested a new research agenda for the future. Significant changes in international organisations, particularly the growth of smaller and medium sized international businesses and developments in non-commercial expatriation were identified as growth areas in expatriation. The research also identified changes in the host locations for expatriation, with a decrease in the proportion of expatriates going from the developed world to the Third World, and a substantial increase in the transfer of expatriates between developed countries. The research argued that although there was a modest increase in the number of women expatriates, (Brewster and Scullion, 1997) female expatriates are still very much in the minority (Scullion, 1994). The proposed new research agenda on expatriation fits very well the approach suggested by Scullion (1995b). It argues that, central to the study of expatriation at the organisational level, as a research area for the future, is the linkage of expatriation policies with international corporate strategy (Brewster and Scullion, 1997). My recent case study (Scullion, 1996) also highlighted that international staffing strategies must be linked to the international evolution of the firm.

The new research agenda (Brewster and Scullion, 1997) also outlined the need for more research on expatriation on international organisations other than the traditional giant multinational. It also pointed to the need for more research on newer forms of international business activity such as joint ventures and strategic alliances. Scullion (1995b) reviewed the reasons for the rapid growth in international ventures and strategic alliances and critically examined the literature on the HRM policy issues associated with managing international joint ventures. The review concluded that the growth of new forms of international business operations had significantly increased the demand for senior managers with international experience (Schuler et al, 1991). At the same time these new business forms demand additional abilities, placing a premium

on cultural empathy, negotiating skills, and a broader understanding of the people side of the business (Lane and Beamish, 1990). This is consistent with the empirical research on British MNCs which highlighted that there was particular concern over the managerial skills and competences needed to deal with the complex HRM issues and problems associated with these international business arrangements (Scullion, 1994a). My review of the literature concluded that further empirical work is urgently needed on a broad range of HRM issues associated with managing these international collaborative arrangements as practice is running well ahead of research in this area (Scullion, 1995b).

The review also identified a need for more research on non US organisations and in particular on organisations from the Pacific rim and Europe. The internationalisation of SMEs, as a field in its infancy, was also identified as a critical area for empirical research. Finally, the development of host country managers and third country managers and issues concerning international mobility were identified as important yet largely unresearched areas. This supports the empirical findings of Scullion (1994a, 1995b) which argued that these issues were of increasing concern to British MNCs.

Conclusion

My study of British multinationals was the first comprehensive empirical study of International Human Resource Management in the UK, and made a very significant contribution in developing the field of International Human Resource Management in Britain and Europe. Prior to my research the study of International Human Resource Management in Europe was in the infancy stage of development and there were few empirical studies in this area outside North America. Based on solid empirical research evidence my research made a significant contribution both to our understanding of the human resource management issues and problems associated with the internationalisation of UK business and to our knowledge of the human resource

management strategies, policies and practices adopted by UK multinationals in response to the internationalisation process. My research also examined how international HRM policy was formulated and implemented and this approach highlighted the often considerable differences between the policies and the actual practices adopted by the firms. This contribution was particularly significant given that much of the previous research in this field was prescriptive in nature and often contained little real data which identified the actual International HRM policies and practices of multinational companies.

Two distinguishing features of my work on International HRM were the focus on managing managers in the international firm, and the attempt to develop links between international business strategy and international HRM approaches. Previous research in this area often focused on managing the labour force at the expense of serious consideration of the experience of managers (Negandhi, 1987). My research on International HRM, by focusing on managers as the key human resources in the company, attempted to redress this balance and suggested that the quality of the management process is critical to the effective implementation of international business strategies.

My research in International HRM has contributed to the field in five main areas. First, my research has contributed to the growing awareness of the importance of HRM in the global arena and to a greater understanding of the international dimensions of HRM. The trend over recent years has been to extend the linkage of HRM with business strategy into the international arena (e.g. Dowling et al, 1994). My research suggested that international human resource strategy like human resource management strategy generally, must be linked to corporate strategy and the strategic evolution of the firm.

Second, my work identified and explained the trends in international staffing in British MNCs. My research has shifted towards considering staffing questions in a more strategic context and implies that multinationals should consider global strategy as well as local conditions in determining appropriate staffing policies. The empirical

findings of the study identified the tendency of British MNCs to increase their use of expatriates to manage their foreign operations and to use staffing policy as an important method of maintaining strategic control. Interestingly, this runs counter to American trends as the evidence suggested that US multinationals have significantly reduced their use of expatriates. Kobrin (1988) suggests that this trend could result in a potential loss of strategic control in US multinationals. On the other hand this trend may simply represent a necessary readjustment as American multinationals become less ethnocentric and more responsive to local conditions (Hendry, 1994). The research also highlighted the more general difference in approach to International HRM between US and UK multinationals and provided support for the view that we require a more European approach to International HRM (Brewster, 1991). The study also contributed to our knowledge of the reasons for the use of expatriates and identified a wider range of factors which influence the decision to use expatriates than in previous research.

Third, while the literature suggests that expatriate failure remains a significant problem for US MNCs, a major conclusion of my empirical study was that the expatriate failure rate in British companies is considerably lower in comparison. The research also contributed to our understanding of the reasons for the lower expatriate failure in British MNCs and raised questions about the usefulness of the expatriate failure rate as a measure of the performance of expatriates. My research identified the issue of the repatriation of managers as a significant and growing problem area for British multinationals and contributes to our understanding of the changing nature of the repatriation problem both from the perspective of the repatriate and the company. The research showed that despite the growing cost of expatriate turnover very few British MNCs had introduced effective repatriation policies. The research suggested the need for companies to develop a more strategic approach to managing the repatriation process and to introduce more effective approaches to expatriate career planning in order to encourage international mobility and to help secure an adequate future supply of international managers.

Fourth, the research identified that a vital task facing British companies who wish to operate globally is the recruitment and development of a cadre of managers and executives who can operate effectively in the global environment. The research highlighted some of the key international management development issues and challenges firms face as they undergo the internationalisation process and suggested that for British MNCs, the recruitment and development of international managers will be a key challenge of the late 1990s. The research identified the shortage of international managers as a significant problem for UK MNCs and enhanced our knowledge of the reasons for the shortages. In this context the study highlighted the failure to effectively recruit, retain and develop host country managers as a major challenge for UK MNCs.

The research also contributed to our understanding of the strategies UK multinationals pursue to internationalise their managers and identified the strategic importance for UK MNCs to give international experience to a wider range of managers, and to develop effective international management development programmes to ensure a future supply of international managers. The research also suggested that growing resistance to international mobility was a significant constraint on the ability of UK MNCs to ensure an adequate supply of international managers. Dual career problems were particularly important in this context.

Fifth, my research highlighted some key changes in the nature of expatriation and suggested a new research agenda for the future. The research highlighted some emerging HRM challenges arising from the development of new international business arrangements. In particular the research highlighted the need for further research to examine the complex HRM issues associated with international joint ventures and strategic alliances. The review also identified the internationalisation of SMEs and the development of host country and third country managers as important areas for future research.

Finally, Teargarden and Scullion et al (1995a) enhanced our understanding of the methodological challenges posed by undertaking collaborative multi-cultural

research and offered some innovative solutions to these challenges. Our research contributed several key lessons for future student of cross-cultural management. First they should rely on research strategies that build and benefit from integrative synergies and second, they should emphasise the importance of process management and managing relationships. The major contribution however, was the conclusion that what cross-cultural management researchers do (the content of the research) is important - but that just as important is how it is done.

Research Methodology

The purpose of this appendix is to outline the research methodologies designed to met the specific objectives of the two research projects in International HRM discussed in the introduction.

Research Design: Qualitative or Quantitative

A number of authors have suggested that data sought through research efforts can be categorised under three headings: exploratory, descriptive and explanatory or causal (Yin, 1984; Chisnall, 1986; Kinnear and Taylor, 1991).

Exploratory research seeks to gather preliminary data to shed light on the real nature of the problem and possibly to suggest some hypotheses or new ideas (Kotler, 1988). Such research is characterised by flexibility in order to be sensitive to the unexpected and to discover insights not previously recognised. Wide ranging and versatile research approaches are employed; these include observations, group interviews and interviews with experts (Kinnear and Taylor, 1991). Exploratory research is appropriate where research objectives include: developing a more precise formulation of a vaguely identified problem or opportunity; establishing priorities regarding the potential significance of various problems or opportunities; gaining management and researcher perspective concerning the character of the problem situation; identifying and formulating alternative courses of action.

The purpose of descriptive research is to describe certain magnitudes; it is appropriate when the research objectives include: portraying the characteristics of phenomena and determining the frequency of occurrence; determining the degree to which variables are associated with the phenomena; and making predictions regarding the occurrence of such phenomena. Descriptive research can utilise secondary data and questioning of respondents (Kinnear and Taylor, 1991).

While descriptive research may characterise phenomena and demonstrate association among variables, statements regarding cause-and-effect relationships are

not possible with descriptive research; thus in such circumstances, explanatory or causal research designs are required. Explanatory research is appropriate given the following research objectives: to understand which variables are the cause of what is being predicted (the effect) - the focus being on why things happen; to understand the nature of the functional relationship between causal factors and the effect to be predicted. The main sources of data for explanatory research are: interrogating respondents through surveys and conducting experiments (Kinnear and Taylor, 1991). It can be seen from the stated research aims in the introduction that the data sought in this particular study are at once exploratory, descriptive and explanatory in nature. It has been argued that "a good research design will make sure that the information gathered is consistent with the study objectives and that the data are collected by accurate and economical procedures, and that there is no standard or idealised research design to guide the research, since many different designs may accomplish the same objective" (Kinnear and Taylor, 1991). Similarly, Morgan and Smircich (1980) observe that: "the appropriateness of a research approach derives from the nature of the social phenomenon to be explored". A methodology must be developed which is appropriate to the nature of the data sought in relation to the stated objectives of the study. The methodology adopted was therefore primarily a qualitative approach.

Quantitative research data

The advantages of quantitative data are that the numerical form makes comparison easy, data are standardised, visible and amenable to statistical analysis (Hart, 1987). In general, sample sizes are greater and controlled in such a way as to be representative of the population from which they are drawn. This allows greater confidence in accepting the reliability or generalisability of the findings. As there is less room for subjective interpretation, the research findings' internal validity can more easily be assessed. Hart (1987) concludes that quantitative methods are appropriate for testing hypotheses; synthesising a large number of variables to determine association and controlling for generalisability. Critiques of quantitative methods focus not on the scientific content of the study, but on the nature of the data they

provide (Hart, 1987). Moreover, it is often suggested that quantitative methods are able to investigate only the more rational aspects of motivation and behaviour, and therefore miss the subtleties of individual or organisational behaviour. "In the past much attention has been given to describing, coding and counting events, often at the expense of understanding why things are happening. This has led to a predominance of quantitative research methods which are geared, for example, to finding out how many people hold particular views, or variations in measures of corporate performance. By contrast, qualitative methods might concentrate on exploring in much greater depth the nature and origins of people's view points, or the reasons for, and consequences of corporate performance criteria" (Easterby-Smith et al, 1991). Moreover, a general criticism is that quantitative methods are more inclined to describe verbally expressed sentiments and beliefs rather than describe actual conduct. This increases the likelihood of rationalising behaviour after the event (Hart, 1987). Similarly, Van Maanen (1979) states: "our [quantitative] data manipulation techniques have become increasingly complex, mathematically sophisticated and governed by strict assumptions but, paradoxically, our interpretative frameworks which make such data meaningful have grown looser, more open-ended, fluid and contingent".

Qualitative research

The strength of qualitative methods is usually associated with the depth and richness of the data it provides (Hart, 1987). Qualitative data are seen as a source of well-grounded, rich descriptions and explanations of processes occurring in local contexts (Miles and Huberman, 1984). Gordon and Langmaid (1988) suggest that qualitative research "answers such questions as What, Why or How, but it cannot answer the question How many? The more sophisticated approach of Strauss and Corbin (1990) describes qualitative research as that which "produces findings not arrived at by means of statistical procedures or other means of quantification". They regard qualitative research as a non-mathematical analytical procedure that results in findings derived from data gathered by a variety of means, such as interviews and observations.

Van Maanen (1983) describes qualitative methods as: "an array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world". Similarly, Chisnall (1986) defines the essence of qualitative research as diagnostic, attempting to discover what may account for certain types of behaviour, seeking a deeper understanding of factors, sometimes covert, which influences decisions.

Qualitative research is therefore best used for problems where the results will increase understanding, expand knowledge, clarify the real issues, generate hypothesis, identify a range of behaviour, explore and explain individual's motivations, attitudes and behaviour, and thus identify distinct behavioural groups (Gordon and Langmaid, 1988). There are therefore many valid reasons for doing qualitative research, one being the nature of the research problem. Qualitative methods can be used to uncover and understand what lies behind any phenomena about which little is yet known (Strauss and Corbin, 1990). Qualitative methods can also give the intricate details of phenomena that are difficult to convey with quantitative methods. Qualitative researchers are often concerned with building theory. Building theory by its very nature implies interpreting data, for the data must be conceptualised and the concepts related to form a theoretical rendition of reality. The theoretical formulation that results, can be used not only to explain that reality, but to provide a framework for action (Strauss and Corbin, 1990).

In comparison with quantitative methods the "soft" data produced by qualitative research methods are often viewed as lacking in both reliability and validity (Gordon and Langmaid, 1988), while the influence of the researcher is seen to result in highly subjective, rather than objective data analysis. Miles and Huberman conclude that "the most serious and central difficulty in the use of qualitative data is that methods of analysis are not well formulated. In addition there are also a number of practical problems: qualitative data collection is labour intensive, requires a high degree of skill to be carried out correctly and can be time consuming and expensive."

Notwithstanding these expressed concerns and perceived limitations, it is clear that qualitative methods are particularly appropriate for certain research efforts including traditional preliminary exploration, sorting out and screening behaviour and exploring complex behaviour (Hart, 1987).

To summarise, neither quantitative nor qualitative methodology is without limitations. In acknowledging and understanding the inherent limitations of each approach, several authors have cited the benefits of using complementary research methods in the same study because each method has advantages which enhance, and disadvantages which constrain, its ability to measure the phenomena under research (Nachmias and Nachmias, 1976, Smith, 1991). Strauss and Corbin (1990) conclude that qualitative and quantitative methods can be used effectively in the same research project. The use of both approaches in a single study is known as methodological triangulation (Todd, 1979, Easterby-Smith, 1991). Smith (1991) concludes that such a combination of methods counterbalances the merits and demerits of each method.

Research Methodology

The methodology adopted in my study of International HRM in British multinationals was a qualitative approach. The principal research method was interviews with the corporate HR Director. The interviews were conducted in the early 1990s. The duration of the interviews varied from two hours to three and a half hours. During each interview, in addition to questioning on international HRM policy and practices, information was sought on company strategy, structure and international business operations. Additional information was obtained from documentary sources such as company reports and company documents including international personnel policies and annual reports. The principal research instruments used in my research was, therefore, the personal interview. Some authors have noted the general disadvantages of face-to-face interviewing, for example, the process may cause the respondents to bias their responses because of the desire to please or impress the interviewer (Kinnear and Taylor, 1991). In addition personal interviews are time consuming both in terms of conducting and analysing interview material. As a result

this type of interview is costly, both in management and financial terms (Gordon and Langmaid, 1988). Notwithstanding these disadvantages, the advantages of the personal interview technique are considerable and are well summarised by Burgess (1982) as follows. "[the interview provides] the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience". Personal interviews can broadly be categorised into three groups: the structured interview, the unstructured interview, and the depth interview (Hart, 1987).

Structured and semi-structured interviews were the main research methods used in my studies of International HRM. In the structured interview set questions are asked, their sequence and wording are fixed, and the answers recorded in standardised form. The principal advantage of the structured interview is that variability between interviews is reduced, resulting in comparability of data (Nachmias and Nachmias, 1976). However, Hart (1987) concludes that while the reliability of this technique is higher than with more informal types of interviewing, its rigidity makes it less effective for some probing, searching questions.

In the semi-structured interview some of the questions are open and designed to encourage the respondent to talk freely about each topic. Easterby Smith et al (1991) argue that while researchers do need a framework from which to begin to plot out developing themes, they should not be unduly constrained by it. This type of interviewing avoids the inflexibility of structured interviews but at the same time assures that all the relevant topics under research will be addressed.

The depth interview may be defined as an unstructured personal interview which uses extensive probing to get a single respondent to talk freely and to express detailed belief and feelings on a topic (Kinnear and Taylor, 1991). In the depth interview, the interviewee is encouraged to talk about the subject under investigation and the course of the interview is mainly guided by him or her. No pre-specified set of questions is employed and usually no schedule is used (Hart, 1987). It has been argued that this type of interview can be used to promote a free flow of rich

information. However, one drawback with this type of interview is that interview variation is likely to be pronounced and thus comparability is reduced. This factor explained the limited use of this method in the present research. It has been argued, however, that the long interview is one of the most powerful methods in the qualitative armoury (McCracken, 1988). For certain descriptive and analytic purposes no instrument of inquiry is more revealing. The method can take us into the mental world of the individual and glimpse the categories and logic by which he or she sees the world. It can also take us into the "lifeworld" of the individual, to see the content and pattern of daily experience. The long interview gives us the opportunity to step into the mind of another person, to see and experience the world as they do themselves (McCracken, 1988-9). This type of approach was well suited to the current research which explored complex and "messy" research problems.

Cross-Cultural International Management Research: The Best International Human Resources Management Project

Teargarden and Scullion et al (1995a) is a case study of the evolution of an international research group which sought to investigate international human resource management practices. Complexity, cost and time commitment have been identified as major impediments to effective cross-cultural management research (Adler, 1984: Arndt, 1985). In addition, some have argued that the North American positivist approach, with its emphasis on rigorous quantitative methods, measurement, precision and internal and external validity, sharply contrasts with the need to accommodate context found in international studies, which are often best conducted using a more interpretative approach (Adler, Campbell and Laurent, 1989). Teargarden and Scullion et al (1995a) made a significant contribution to our understanding of the methodological challenges posed by undertaking collaborative multi-cultural research and offered some important solutions to these challenges. The article critically reviewed the two research literatures that contribute to understanding the challenges posed by this area - those on cross cultural management research and collaborative research. An important assumption underlying the use of multicultural teams is that

they ensure rigour since no one researcher can be an insider in multiple cultures (Adler, 1984; Steers et al, 1992). The cross-cultural management literature answers many questions regarding what should be done to produce rigorous research but says little regarding the mechanics of using collaborative research teams. The collaborative research literature addresses the mechanics of such research in more detail (e.g. Goodman, 1985).

Our research suggested that the cautions of previous researchers regarding cross-cultural research methodology and the need for multinational, multi-cultural, interdisciplinary teams were, by and large, accurate. The major contribution of the article was the conclusion that what cross-cultural management researchers do (the content of the research) is important- but that just as important is how it is done. High quality interaction is the defining feature of this type of research. There were four types of interaction in the project; 1) theoretical interactions (research design, survey development). 2) Pragmatic interactions (translations, survey administration) 3) interpersonal interactions (building commitment, sharing learning), and 4) integrative interactions, which maximise overall synergy. The synergy that can be developed through the integration of these interactions is the key to rigorous cross-cultural research.

Our research contributed several key lessons for future students of cross cultural management. First, they should rely on research strategies that build and benefit from integrative synergies, ie the synergy that can be developed through the integration of the four types of interaction discussed above. Second, they should emphasise the importance of process management and managing relationships. Third, they should recognise the importance of flexibility because this type of research is fraught with obstacles and uncertainties. In conclusion our research found that the impediments to cross-cultural management research are formidable but not fundamentally insurmountable. The shared learning that occurred not only benefited the project team collectively, but also increased the understanding of and sensitivity to cultural issues of individuals.

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A review and agenda for expatriate HRM

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The growth of international business at a time when most international organisations are under increasing cost pressures has led these organisations to take a sharp look at their policies for employees transferring from one country to another – the expatriates. This article attempts to summarise what we know from the existing research on expatriation; to examine what, in the light of the changes that are occurring, is happening to international transfers; and to use that as the basis for proposing a new research agenda for the future.

There is some evidence from the US that multinational corporations (MNCs) initially reacted to the cost pressures and a relatively high expatriate failure rate by trying to cut the number of expatriates they employed (Kobrin, 1988). Although there are some, occasionally quite spectacular, cases of this happening for European MNCs, it is likely that the growth of international trade in Europe, especially among newly international organisations, led to a growth in the overall number of expatriates here (Brewster, 1993). The latest evidence from the US seems to show another resurgence in the use of expatriates by US MNCs (NFTC, 1995).

An understanding of the management of these expatriates is of growing importance at the present time for a number of reasons:

- recent years have seen rapid increases in global activity and global competition (Young and Hamill, 1992). As the MNCs increase in number and influence, so the role of expatriates in those MNCs grows in significance (Dowling *et al*, 1994);
- the effective management of expatriates internationally is increasingly being recognised as a major determinant of success or failure in international business (Tung, 1984);
- surveys of European firms (*International Management*, 1986) and, more recently, of British and Irish international firms, reveal that many of the companies had experienced shortages of international managers and that future shortages were anticipated (Scullion, 1992);
- the advent of the Single European Market and the rapid growth of British direct investment abroad (Hamill, 1992) mean that issues of expatriate management are increasingly important concerns in a far wider range of organisations than the traditional giant multinationals, particularly among the growing number of smaller and medium-sized companies which have significantly internationalised their operations in recent years (Scullion, 1992);
- it is increasingly recognised that the human and financial costs of failure in the international business arena – while not so common as sometimes argued (Harzing and Van Ruysseveldt, 1995) – are considerably more severe than in domestic business (Dowling and Schuler, 1991; Forster, 1997). In particular, indirect costs such as a loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai, 1984). Also, there is evidence that many companies underestimate the complex nature of HR problems involved in international operations and that business failures in the international arena may often be linked to poor management of expatriates (Tung, 1984).

RESEARCH FINDINGS

In general terms, and with some notable exceptions that we refer to below, the study of expatriation has followed the traditional expatriate 'cycle' – selection, training, relocation and adjustment, pay and performance, and return. Interestingly, in broad terms the development of the research has followed a similar pattern, with early attention on the earlier stages of the assignment and a gradually developing focus on the more complex issues of performance and return. In this section of the article we summarise, briefly, the current state of knowledge in each of these areas.

Research on international staffing has identified a number of principal reasons for employing HQ expatriates in MNCs. The first major reason was the lack of availability of management and technical skills in some countries. The second was the objective of control of local operations (Torbiörn, 1985; Brewster, 1991). A linked reason for using senior expatriates was to maintain trust in key foreign businesses following large international acquisitions: a major factor in the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s (Scullion, 1991). Using expatriation for management development purposes (Hamill, 1989) was increasing in significance for British multinationals. This practice was in sharp contrast with US MNCs where management development concerns were less significant in international staffing (Dowling and Schuler, 1991).

Research into the recruitment and/or selection of expatriates has generally been focused on the more 'visible' aspects of these issues, such as the criteria used in such decisions. Mendenhall and Oddou (1985) identified a major problem area in expatriate selection as the ingrained practice of operating with the 'domestic equals overseas performance' equation. Technical expertise and domestic track record are by far the two dominant selection criteria. Factors such as language skills and international adaptability come further down the list in all studies, though there is some evidence that these have more importance for European organisations (Tung, 1982; Brewster, 1991).

There has been less attention paid to the strategic antecedents of the appointment decision (*ie* whether an expatriate was the appropriate way to fill the assignment anyway) or to the manner in which the appointment is made. There has been very little research since the seminal work of Perlmutter and Heenan (1974) into the question of when it is appropriate to use expatriates (see also Ondrack, 1985; Mayrhofer and Brewster, 1996). Indeed, much of the literature fails to question either the use of expatriates or the reality of the manner of their appointment. It should not be assumed that the majority of multinationals adopt a systematic and coherent approach to selection – there is considerable evidence that many continue to operate in this area on an *ad hoc* basis (Robinson, 1978). In many multinational companies staffing and selection processes are still rather informal, with responses being reactive rather than pro-active (Brewster, 1991). Arguably, a consistent HR strategy that fits the organisation's overall business strategy is much more difficult to achieve with this type of *ad hoc* approach.

International companies undertaking training and development programmes for expatriates face significant problems. There are two problems in particular which make training and development for international assignments more complex than that for domestic assignments. First, the expatriate not only has to adjust to a new job and a new role, but also to a new culture (Mendenhall and Oddou, 1985). Secondly, since the stress associated with a foreign assignment falls on all family members (Harvey, 1985), the issue of training programmes for the spouse and family needs to be addressed. US MNCs tend to use pre-departure training programmes less frequently than the European and Japanese

standards with specific objectives in local units, and to recognise that more time may be needed to achieve results in markets which enjoy little supporting infrastructure from the parent company (Schuler *et al*, 1991a).

The repatriation of expatriates has been identified as a major problem for multinational companies in the UK and North America (Harvey, 1989; Scullion, 1993), but is still comparatively under-researched (Brewster and Pickard, 1994). Interestingly, concern over re-entry was cited as a significant reason affecting expatriate performance in UK MNCs (Scullion, 1993). For many MNCs this problem has become more acute in recent years, because expansion of foreign operations has taken place at the same time as the rationalisation of HQ operations; there are few unfilled positions suitable for repatriates in the majority of companies. From the repatriate perspective, other problems associated with re-integrating into the home country are loss of status, loss of autonomy, loss of career direction and a feeling that international experience is undervalued by the company. There is growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry, managers will be more reluctant to accept the offer of international assignments (Scullion, 1993). Many expatriates leave their company on return (Adler, 1986) with the consequent loss of investment and expertise. Yet, while it is widely accepted that the costs of expatriate turnover are considerable, few firms have formal repatriation programmes to assist managers and their families with repatriation difficulties.

CHANGING NATURE OF EXPATRIATION

Merely managing some of these issues better will not resolve the problems for international organisations, because the situation is changing in crucial ways. There are changes in the MNCs, in the host locations, and in the expatriates themselves.

Significant changes have been occurring in international organisations. In the increasing number of trading blocs throughout the world, and most particularly and evidently in the European Union (EU), the growth in expatriation is not so much among the giant 'blue-chips' (which are new to internationalisation) as in smaller organisations. There are giant organisations which privatisation has recently freed to compete outside the country of origin as well as increasing numbers of small organisations that are beginning to treat the European market, for example, as their own local market. In both cases the experience of internationalisation is limited. Among the larger and more traditionally international players there have been changes too: a much more competitive environment (D'Aveni, 1995) forcing increasing attention to cost reduction and cost effectiveness. Since expatriates are among the most expensive people any organisation employs, and the measurement of expatriate performance is, to say the least, uncertain, this has had a direct effect on the way organisations view their expatriates. This has been made more difficult to handle by a reduction in the number of people in corporate international human resource management (IHRM) departments. More than a few MNCs have lost the central expertise in the management of expatriates that they had built up over many years.

There is little evidence about developments in non-commercial expatriation, but it seems likely that there is growth here, also. There are ever more international governmental and 'non-governmental' organisations, all employing international employees. The growth in international aid organisations and charities also seems likely to be linked to a growth in expatriation. There has been almost no research into expatriation or the management of expatriates in these non-commercial organisations.

Central to the study of expatriation at the organisational level as a research area for the future is the linkage of expatriation policies with international corporate strategy (Scullion, 1996). Expatriation is increasingly being analysed as part of the study of IHRM – a fledgling addition to the fields of international business and comparative HRM (see Boxall, 1995). Recently, research has shifted towards considering staffing questions in a more strategic context. In an effort to consider the range of possible headquarters-subsidary relationships, researchers are suggesting more 'variety' (Doz and Prahalad, 1986) in approaches to staffing and other IHRM activities (Boyacigiller, 1990; Kobrin, 1988), and urging MNCs to consider global strategy as well as local conditions in determining appropriate staffing approaches (Butler *et al.*, 1991; Hamill, 1989). Attempts have been made to develop models of international assignments, identifying those appropriate for expatriates (Scullion, 1995; Edwards and Brewster, 1996).

The question of when and where expatriates can provide added value is capable of empirical investigation. British multinationals continue to rely heavily on expatriates to run their foreign operations (Scullion, 1991). This raises serious questions about the ability and commitment of some British multinationals to identify and develop host country managers in their foreign operations (Hailey, 1992). Indeed, it has been argued that the failure of the localisation process to create new generations of skilled local staff to take over key positions may in part reflect the self-fulfilling nature of ethnocentrism (Banai, 1992). Alternatively, it has been argued that ethnocentrism may be a rational and effective policy in many cases (Mayrhofer and Brewster, 1996).

Almost all research to date has concentrated on multinational corporations. However, many expatriates are from other kinds of international organisation: government, non-governmental aid organisations, charities, and intergovernmental bodies such as the UN, ILO and EU. There are many such organisations, employing a huge number of expatriates throughout the world on contracts that range from subsistence-level remuneration and virtually no support from headquarters, to extremely generous salaries with substantial back-up. Within this group there is a wide range of rationales for expatriation and issues for the expatriates themselves and their management, remaining almost entirely unresearched.

The 1980s were characterised by a spread of new forms of international business activity. These were primarily non-equity arrangements, such as joint ventures, collaborative arrangements, strategic alliances, licensing agreements, management contracts and sub-contracting (Hamill, 1992; Enderwick and Barber, 1992). It has been argued that the effective management of expatriate managers associated with international joint ventures is a critical factor determining the success or failure of these arrangements (Shenkar and Zeira, 1987). There is a particular concern over the skills and competences needed to manage the complex HR issues and problems associated with the growth of international joint ventures (Scullion, 1996). Practice is running well ahead of research in this subject area, and further research is essential to help close this gap (Beaumont, 1991).

It is still the case that the bulk of international HR research has been conducted by American researchers, has primarily been concerned with American expatriates and continues to be written from an American rather than an international perspective (Adler, 1991). There is a need for more research on organisations from Japan, Australia, the Pacific rim, and other areas; particularly, there is a need to build on the increasing amount of research being undertaken in Europe (see, for example, the references cited for Barham, Bourniois, Brewster, Forster, Gertsen, Hailey, Hamill, Harris, Janssen, Mayrhofer, Scullion, Suutari and Torbiörn).

Within Europe in particular, though not exclusively, the growth of internationalisation among small and medium sized enterprises (SMEs) has been spectacular. The opening up of Europe as one market has led many small organisations to look at developing in other countries far earlier than they would have done previously. There is danger in such companies ignoring the lessons of the giant firms, but also dangers in applying such lessons as if they were the same type of organisation. Research into the internationalisation of SMEs is only in its infancy and more empirical data is urgently needed in this area.

The practice of developing host country managers and third country nationals through developmental transfers to corporate headquarters is becoming significant. It has been argued that this type of international transfer exposes host country nationals (HCNs) and third country nationals (TCNs) to the headquarters' corporate culture and facilitates their developing a corporate perspective (Edstrom and Galbraith, 1977). However, since the work by Banai and by Zeira in the late 1970s/early 1980s, little has been done in this area.

Not all cross-border activities are staffed by expatriates. Much activity, particularly in the purchasing and sales areas, has traditionally been conducted by people on short (often, literally, flying) visits. The increasing improvement of travel and technology is making such non-expatriate arrangements more common. Much of Eastern Europe has been opened up by executives 'commuting'. Consultancies have developed specialising in 'interim' managers – sent to a newly-purchased foreign acquisition or to establish a presence for a company in a new country, but only expected to stay three or four months. At the other end of the scale, the increasing use of video conferencing and real-time computer information from around the world has provided alternatives to control by the physical presence of an expatriate (Martinez and Jarrillo, 1991). Again, the implications of the developments for the people involved, and for their management, remain largely unresearched.

International management has long been a masculine preserve in Europe and the US (Adler, 1984). Indeed, the evidence suggests that women in British MNCs are not making as much progress in international management as women in US multinationals (Adler, 1991; Scullion, 1992). The lack of willingness to recruit and develop women as international managers is worrying; recent research suggests that women can be as successful internationally as men (Adler, 1991; Harris, 1995).

Increasingly, international mobility is limited by the dual-career factor which also restricts the career development plans of multinationals. The number of potential expatriates in dual-career relationships is growing, and this is seen as a major disincentive to future international mobility by many companies (Harvey, 1985). Frequently, now, one partner may have to leave a job or career in order to follow the other partner to a foreign country (Hall and Hall, 1987). This is, as yet, a largely unresearched area.

CONCLUSIONS

There has been criticism of the research record on the issue of HRM across frontiers – specifically expatriation. However, given the relatively recent emergence of the concept of international HRM, it is arguable that considerable progress has been made. There has been a growing awareness of the importance of HRM in the global business arena and a greater understanding of the international dimensions of HRM. Our calls for more research into expatriation strategies, expatriation in international organisations which are not wholly owned subsidiaries, not giants, not US-based and perhaps not even MNCs, should be seen in this light. The task now is to establish better information about the role and management of HRM across frontiers, to clarify and measure current developments and to place such developments in the context of more adequate theories of international HRM.

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TOWARD A THEORY OF COMPARATIVE MANAGEMENT RESEARCH: AN IDIOGRAPHIC CASE STUDY OF THE BEST INTERNATIONAL HUMAN RESOURCES MANAGEMENT PROJECT

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Cross-cultural international management research is complex, costly, and frequently, nonrigorous. This idiographic study documents the evolution of a multinational, multicultural, interdisciplinary research consortium that sought to remedy this lack of rigor in a project investigating international human resource management practices. We identify key learning points derived from this project and conclude with the rudiments of a midrange theory of a comparative management research methodology.

Author order was determined by random drawing for all authors except the first, who led the project. All contributed to the conceptual development and preparation of this article. Full addresses are available from the first author. We acknowledge the contributions of all of the participants in the Best Practices Consortium, which currently includes Dibo Akande, Francisco Balcazar, Linda D. Clarke, Teresa C. Donahue, Peter J. Dowling, Philippe Goy, Christina Hart, Eric Knutsen, Gaston J. Labadie, Cecilia Macmillen, Joyce Maphorisa, Maria Puras, Tomokai Sakano, Terri Scandura, P. C. Smith, Wahyu S. Sutiyo, Sonja A. Sackmann, Steven Tseng, Giovanna Valverde, Miguel A. Valverde, Wolfgang Weber, Vicki Whiting, Russell W. Wright, Cherrie Jihua Zhu, and the authors.

Cross-cultural research is not for the fainthearted. The challenges faced by those who attempt the journey into comparative management research are well documented and will be discussed shortly. Forewarned, we undertook cross-cultural research to empirically benchmark international human resource management (HRM) practices, an effort hereafter referred to as the best practices project.

The best practices project is relevant, timely, and rigorous; it is also research in progress. At the time of this writing, however, there was a compelling story to be told, the story of the methodological challenges encountered and the solutions developed by our multinational, multicultural, interdisciplinary research consortium. Steers, Bischoff, and Higgins suggested that "the time has come to stop writing about obstacles [to comparative management research] and begin looking for ways to overcome them" (1992: 329). We concur.

Consequently, in this article we discuss ways to overcome well-documented obstacles to comparative management research (Adler, 1983). The article is an idiographic portrayal and analysis of the evolution of the best international human resource practices research consortium. In addition to learning from the implementation of the project, we learned from the relational aspects of doing cross-cultural, international research. In this article, we hope to offer solutions to methodological challenges that active comparative management researchers have struggled with for years. We treat the best practices project as a case study, the analysis of which can help build a grounded theory of comparative management research methodology.

COLLABORATIVE MULTICULTURAL RESEARCH

Two research literatures that contribute to understanding the challenges posed by this project are those on cross-cultural management research and collaborative research. The cross-cultural management literature answers many questions regarding what should be done to produce rigorous research but says little regarding the mechanics of using collaborative research teams. The collaborative research literature addresses the mechanics of such research in more detail.

The Challenges of Cross-Cultural Management Research

Complexity, cost, time commitment, and methodological challenges have been identified as impediments to cross-cultural management research (Adler, 1984; Arndt, 1985; Brislin, Lonner, & Thorndike, 1973; Wind & Perlmutter, 1973). Worse yet, Steers and colleagues (1992) identified a belief among researchers that it can be tenure threatening.

In addition, some have argued that the North American positivist approach, with its emphasis on rigorous quantitative methods, measurement, precision, and internal and external validity, sharply contrasts with the need to accommodate context found in international studies, which are

often best conducted using a more interpretive approach (Adler, Campbell, & Laurent, 1989; Graham & Gronhaug, 1989). This perspective is not, however, universally held. For example, Steers and colleagues (1992) argued that context can be adequately reflected using "traditional" behavioral science methods.

If researchers turn to journals published outside the United States, the challenge is compounded by largely American editorial boards and perceptions that "articles published in international journals are of suspect quality" (Boyacigiller & Adler, 1991: 267).

To develop equivalent theories of social behavior within work settings in cultures around the world, Adler (1984: 45) identified fundamental problems that permeate all aspects of cross-cultural management research, including (1) defining culture, (2) identifying whether a phenomenon is culturally specific or universal, (3) determining how a researcher can mask his or her own cultural bias in designing and conducting a study, (4) determining which aspects of the study should be identical and which equivalent across cultures, and (5) identifying threats to interpretation caused by interactions between cultural and research variables. Of course, there are other well-known sore spots: selecting the topic, sampling, translation, measurement, instrumentation, administration of the research, data analysis, and interpretation. Adler suggested using collaborative multicultural teams to meet these challenges.

Equivalency (that is, equivalence of meaning) is the goal at each of these research stages. For example, a topic must be equally common (or modal) in each culture examined (Hofstede, 1984). The same theoretical dimensions of the research should guide the selection of cultures. Translations should be equivalent rather than literally identical. Multicultural teams can provide these equivalencies.

Steers and colleagues (1992: 328) added a few additional relevant tips, such as using divergent methodologies; avoiding "vacation empiricism" (reliance on data collected when the researcher happens to be in a foreign locale); using intellectual joint ventures in which teams of researchers from several countries study a problem; and using realistic performance outcome variables. Their recommendations suggest that a collaborative team should be multinational, multicultural, and interdisciplinary in composition (Roberts & Boyacigiller, 1984).

The Challenges of Collaborative Research

An important assumption underlying the use of multicultural teams is that they ensure rigor since no one researcher can be an insider in multiple cultures (Adler, 1984; Boyacigiller & Adler, 1992; Steers et al., 1992). However, there are few suggestions regarding the mechanics of using collaborative multicultural teams in the comparative management research literature. Thus, the principal researchers of this project incorporated other perspectives on this topic. Among the challenges to collaborative research are (1) identifying relevant stakeholders and integrating them into the re-

search process, (2) finding individuals with the ability to conduct and an interest in the work necessary to form a collaborative relationship, and (3) possessing or developing an extraordinary amount of personal, intellectual, and research skill (Goodman, 1985). To these challenges we add the need to use persuasion. Again, the North American methodological bias is a major collaborative research challenge (Lawler, Mohrman, Mohrman, Ledford, Cummings, & Associates, 1985).

The Transorganizational System Solution

Cummings, Mohrman, Mohrman, and Ledford (1985) focused on the relational aspects of research and the establishment of an institutional context for collaborative research. From their perspective, the success of collaborative research depends on (1) the research relationship at both content and relational levels (cf. Watzlawick, Bavelas, & Jackson, 1967), (2) researcher roles, and (3) researcher skills. Further, Cummings and colleagues (1985) identified development of a transorganizational system (TOS) as an institutional response that supports collaboration.¹

According to Cummings (1984), three stages are relevant to participants: (1) identification of the organizations (and individual representatives) potentially composing the TOS, (2) convention of, or bringing together, those representatives to assess whether building a TOS is plausible and desirable, and (3) organization, or establishing the structures and mechanisms needed for the system function.

In sum, our best practices research consortium can be described as a TOS engaged in comparative management research designed to develop a contingency theory of international HRM practices. Thus, in interpreting this idiographic research we will consider issues of complexity, cost, time commitment, and methodology at three stages of the consortium's development: identification, convention, and organization. We will explicitly examine the contributions of the project champion (the project's initiator and primary proponent—here, the second author) to member identification and convention of the consortium, contributions to research rigor made by diversity in consortium composition, challenges of high-complexity research, and trade-offs between face-to-face and long-distance interactions.

CASE STUDY RESEARCH METHODS

Despite researchers' exhortations to their colleagues to use multinational, multicultural research teams in studying cross-cultural phenomena, it is difficult to find evidence of such studies and equally difficult to find sufficiently specific guidelines for conducting them. The second fact

¹ A TOS is a group of organizations that have joined together for a common purpose. Network organizations perform a similar function. We consider the best practices consortium to be similar to these since it is a group of researchers, affiliated with organizations, who have joined together for common purpose and who interface to "leverage" the collective intelligence, skills, and resources of the members in an intellectual joint venture.

may account for the first, as the methodology is fairly new and underdeveloped. Although there is more research on content-related methodological issues, such as how to translate survey instruments, than there is on relational aspects of the collaborative process, one powerful lesson we learned is that if relations among a collaborative team's members are not sufficiently developed, the research project cannot be adequately implemented.

The development of the best practices consortium and implementation of its research are complex, dynamic, contemporary phenomena. Ideally, a rigorous exploration of such phenomena should incorporate multiple perspectives, multiple levels of analysis, and, to capture dynamism, observations across time (Blalock, 1961; Eisenhardt, 1989; Emery & Trist, 1973; Glaser & Strauss, 1967; Lofland, 1971; Morgan, 1983; Yin, 1984). Dyer and Wilkins (1991) suggested that the resultant product should also tell a good story. We used these suggestions in an embedded, longitudinal, idiographic study that targeted consortium development and the learning process. Our idiographic case study (Tsoukas, 1989) would best be described as "inquiry from inside" (Evered & Louis, 1981).

Using Single Cases for Inductive Theory Building

The strengths and weaknesses of multiple- and single-case studies have been discussed in depth by Eisenhardt (1989, 1991), Dyer and Wilkins (1991), and Yin (1984). Despite some disagreement, they have agreed that deep, clinical, single-case studies are useful for inductive theory building in the early development of a field of research. We certainly believe that cross-cultural management research methods are at an early developmental stage and thus that a single-case idiographic approach is appropriate. However, this one "meta-case" might best be viewed as a series of mini-cases or observations within a meta-case, a condition that also meets the multiple-case recommendation (Eisenhardt, 1991).²

A sampling approach that focuses on theoretically useful cases is recommended in case-based research (Eisenhardt, 1989). Pettigrew (cited in Eisenhardt [1989]) suggested selecting cases in which the process of interest is "transparently observable." We maintain that the best practices project is such a case. Theoretical saturation—a decrease in incremental learning from additional observations—signals closure (Eisenhardt, 1989; Eisenhardt & Bourgeois, 1988; Glaser & Strauss, 1967; Sutton & Callahan, 1987).

Finally, this methodology requires a set of research skills to which many researchers have not been exposed or in which they have had little experience. Two of the present authors had extensive case study expertise, a third had a background in anthropology, and a fourth was trained in and

² Eisenhardt (1991) argued that classic single-case studies such as Dalton's (1959), Gouldner's (1954), and Whyte's (1943) are in fact multiple-case studies because they include multiple observations within single or similar settings. Researchers have posited that such studies offer a basis for deductive theory testing (Eisenhardt, 1989, 1991; Yin, 1984).

practices in Europe, where the interpretive research paradigm is more prominent than it is in the United States.

Developing Grounded Theory from Case Data

There has been controversy as to whether research should be based on theory specified a priori or grounded theory (emergent theory based on observations). Whyte cautioned that unless research is guided by "good ideas about how to focus the study and analyze those data, [the] project will yield little of value" (1984: 225). Glaser and Strauss, however, suggested evolving a coherent theoretical framework rather than imposing one a priori and wrote that "being open to what the [research] site has to tell us" (1967: 118) is the basis for development of grounded theory. Van Maanen, Dabbs, and Faulkner (1982: 16) also noted that investigators should attempt to avoid prior commitment to any theoretical model.

Glaser and Strauss's suggestion to let theory emerge is in part based on an attempt to control researcher bias. They and Van Maanen and colleagues (1982) suggested that theory be allowed to emerge to encourage breaking out of existing frames of reference or paradigms, to facilitate paradigm shifts. The explicit identification of a theoretical framework, however, is one method for surfacing researcher biases and assumptions, which are present whether or not a framework is explicated (Burrell & Morgan, 1979).

This study provided abundant opportunity to support, refute, or supplement existing cross-cultural and team-based methodological frameworks. Specifically, we combined cross-cultural management research and collaborative research methods to provide the theoretical framework for describing experiences and deriving recommendations.

Data Collection

Multiple sources of data were used. Consortium members generated abundant archival material from the beginning of the project, including detailed agendas and minutes for each meeting held. Members also kept personal notes at meetings, and those that accessed research sites kept field notes or recorded recollections of their experiences. In addition, various consortium members have documented ongoing discussions regarding the progress of both the present project and the collaborative research process.

Case Generation

Before the initiation of this article, the project's principals (the research champion and the initial, core members of the team) engaged in an extensive debriefing regarding the process to date. Archival documentation and field notes were used to generate a timeline, additional information, and a "reality check" on our recollections. Two principals then prepared a comprehensive case draft and a draft of the article, which were then distributed to the other authors. Each was asked to substantiate the accuracy of the case on which this article is based and to contribute to it,

especially to the section discussing learning. After contributions had been incorporated, the manuscript was recirculated to all authors, three other consortium affiliates, and three survey respondents to ensure accuracy.

BEST PRACTICES: AN IDIOGRAPHIC CASE STUDY

As noted, this article documents the evolution of the best international HRM practices consortium and the challenges encountered in designing and executing the study.

Why Study Best International HRM Practices?

The consortium's goal was to identify human resource-based solutions to organizational problems that create and maintain sustainable competitive advantage. Could we identify human resource management practices that help make an organization more competitive under all circumstances? Or would "best" be meaningful only to the extent that all contextual factors were clearly delineated? These questions require identifying which HRM practices are the most appropriate under which circumstances and moving toward development of a contingency model of HRM at the international level.³

This research agenda placed us on the horns of a dilemma well known to cross-cultural researchers: the emic versus etic debate, which opposes cultural uniqueness and cultural comparability (Berry, 1969; Hofstede, 1984; Lammers, 1977). Our study presupposed that there was something to be compared—that human resources practices in each culture were not so unique that parallels with practices in other cultures would be meaningless. Nevertheless, it also presupposed that there were unique elements in each culture (Steers, 1989).

Berry (1969: 125) suggested an approach that attempts to combine the emic and etic distinctions and that can be applied where functional equivalence of behaviors in two or more countries can be demonstrated (or, as Hofstede [1984] added, reasonably assumed): (1) existing categories and concepts are applied tentatively to impose an etic description, (2) these are then modified so that they represent an adequate emic description from within each system, and (3) shared categories can then be used to build up new categories valid for both systems, or derived etic descriptions, which can be expanded until they constitute a universal description (Hofstede, 1984: 33). Consortium members adapted this approach in implementing the study.

Limitations of existing HRM research efforts, including observations that there has been little systematic empirical research assessing strategic HRM practices (Balkin & Gomez-Mejia, 1990) and little explanation of how

³ Although numerous studies on contingency models have focused on structural design (e.g., Galbraith, 1973; Lawrence & Lorsch, 1967) or leadership (e.g., Fiedler, 1967; Vroom & Yetton, 1973), national culture as a contingency factor in selecting HRM practices has not been comprehensively investigated from a global perspective.

HRM can build organizational capabilities (Bartlett & Ghoshal, 1992), provided partial impetus for the project. An additional impetus was our belief that few studies of "best practices" have included cross-cultural and international human resource variables even though most business is strongly influenced by such variables (Von Glinow, 1993).

Research Questions

The best practices research project explored five basic questions: (1) Which HRM practices are most used currently? (2) Which practices are most related to employee work attitudes? (3) Which practices are related to organizational effectiveness? (4) Are there universal best HRM practices or only situation-specific best practices? and (5) Does HRM effectiveness vary with business strategy, national culture or subculture, or a firm's external environment (Milliman, Von Glinow & Nathan, 1991)?

Like other large-scale projects—such as Hofstede's (1984) study of culture, England's (1975) study of managers' values, and Brewster's (1992) Price Waterhouse Cranfield Project, which explored HRM issues in European Community countries—the present study used a survey instrument, a traditional behavioral science research technique (Steers et al., 1992), as its primary approach to data collection. The research objective was to analyze the HRM practices of (1) firms in developed, newly industrialized, and developing economies; (2) firms that operated in a variety of cultures; and (3) firms in a variety of manufacturing and service industries. Thus, the best practices project includes countries in North America, Latin America, the Asian Pacific Rim, Africa, Australia, and Europe. The large scale and broad scope of the project enhance the generalizability of its findings. At the time of writing, data had been collected from 10 countries, and 12 more were targeted.

Finally, as noted, the research is being conducted by a large multinational consortium comprised of a core of principals and many affiliates. The consortium grew from an 8-member core team that first met in May 1991 to a 37-member web of affiliations by August 1993. The core expanded by one principal and one affiliate almost immediately. These members were from 18 countries and had expertise in almost twice that number of countries.⁴ Initial task contributions of affiliates included sur-

⁴ At the time of this writing, there were 24 affiliates. Each is identified below by a capital letter, followed by a letter indicating level of project contribution and country of residence or expertise. Regarding project contribution, "A" describes an affiliate who engaged in site development and data collection and often in support functions such as translation, and "a," an affiliate who engaged in support functions such as translation or back-translation.

Affiliates include J (A, Australia), K (A, Japan), M (A, Germany), N (A, Taiwan), O (A, Israel), P (A, Mexico), Q (A, France), R (a, Sweden), S (a, Indonesia), T (a, Bolivia), U (a, Costa Rica), V (a, Mexico), W (A, Holland), X (a, Sweden), Y (A, Nigeria), Z (a, Taiwan), ZZ (a, Korea), YY (a, France), XX (a, Mexico), WW (a, Korea), VV (a, U.S.), TT (a, Spain), SS (a, Korea), and RR (a, U.S.).

vey administration, translation and back-translation, some data management, and maintenance of site contacts. After data were collected, affiliates took the lead on analysis and interpretation of data from the countries they represented. Table 1 identifies characteristics and key contributions of the consortium's core members.

WHAT HAVE WE LEARNED?

Originally, it appeared that the project would be complex, but very straightforward. As the consortium moved forward, the route became circuitous; progress was evolutionary and incremental, punctuated with revolutionary insights. We found that some of our tasks and processes were indeed universal—they could be done globally—but many were culturally specific, and thus, local responsiveness was key. Frequently, the relational aspects of doing this research became the figure, and the content (the research project itself) became the ground (Emery & Trist, 1973).

We identified four stages in the research consortium development process: (1) forming the consortium, (2) generating the research questions and constructing the survey, (3) doing the research, and (4) making sense of the findings. We note that this framework modifies Cummings's (1984) three stages. It is also important to note that these four stages are not sequential. Rather, the process moves back and forth between the stages as learning occurs.

Forming the Research Consortium

First relational issue: Gathering participants. A project champion catalyzes and holds a project like this one together. The process begins with that individual's identifying relevant potential members (Cummings, 1984) and integrating them into the research process (Goodman, 1985: 333). It was necessary to initiate the project with a champion and a small core of researchers and to then expand the web of affiliations as it was not possible to identify all potential members at the front end of the project.

The initial research agenda focused on the mechanics of implementing the study, including (1) developing the survey instrument, (2) obtaining translations and back-translations, (3) conducting pilot interviews in eight original target countries to refine the instrument, (4) administering the surveys, (5) including additional countries using theoretical sampling, (6) analyzing the data, and (7) writing research reports. The timeline envisioned for the project was optimistic. Initial team members did not anticipate the difficulty entailed in developing such an instrument or the challenges associated with developing a consortium capable of implementing this complex study.

As initial members gained expertise working together and refining the research topic, we identified new potential members and integrated them into the project. As the project gained momentum and visibility, researchers approached us seeking participation, something we had not anticipated.

TABLE 1
Characteristics of Initial Consortium Members^a

Member ^b	Project Status ^c	Nationality	Expatriate Experience	Regional Expertise and Contacts	Regional Contributions	Research Expertise
A	P	United States	France	United States, People's Republic of China, France	United States	Strategic HRM, technology transfer, management of professionals
B	P	United States	Venezuela, Mexico	United States, People's Republic of China, Latin America	United States, Mexico, Sweden	Joint venture effectiveness, strategic HRM, technology transfer, research methods
C	P	United States		United States		Strategic HRM
D	P	United States		United States		Strategic HRM, organizational learning
E	P	People's Republic of China	United States	Taiwan, United States, People's Republic of China	Taiwan, United States	Organizational behavior, HRM
F	P	United States		United States	United States	Service management, HRM
G	P	United States	Canada, Indonesia	Canada, United States, Indonesia	Canada, Indonesia	Self-management, joint venture effectiveness, strategic HRM
L	A	United States	Philippines, Mexico	United States	United States	Stress management, worker health and safety, strategic HRM, research methods
H	P	Korea		Korea	Korea	Management, HRM
I	P	Scotland	Britain, France	European Community	Britain	HRM

^a These were the members as of September 1993.

^b Letters are identity codes.

^c P is a principal researcher, A is a research affiliate.

Second relational issue: Consortium development. Ability and interest in working to form a collaborative relationship should be assessed (Cummings, 1984). This process began with the project champion's selecting core members for their various skills, abilities, characteristics, and expertise and inviting them to participate. (The same criteria were later used in selecting affiliates.) To establish participation parameters, consensually derived ground rules were established, including authorship and data ownership guidelines. We found that moving forward with the project depended on building trust between core team members. Some members had a long history of successful collaboration with each other; many had not. Trust built most rapidly during working sessions in which members could see each others' abilities and work together to resolve challenges.

Third relational issue: Building commitment. Building commitment preceded implementation of the research project. Questions regarding level of commitment were asked of all researchers, and researchers' roles were based on their answers. We learned that face-to-face contact, which we later found to be critical to relations with potential survey respondents, was also instrumental in building our consortium.

Fourth relational issue: Establishing consensual vision. The role of shared vision in this project cannot be underestimated. Consortium members identified dual themes in discussing objectives: (1) a desire to shape theory, to influence the field of strategic human resource management and competitive advantage management, and (2) a desire to do research that was "real," to bridge the gap between academe and practitioners. The shared vision was a common need to affect the human condition through our work.

Content issue: Seeking qualified participants. The key content issue at this stage was the need to search globally for like-minded researchers who would be able to contribute to the methodological rigor of the research project.

It was not difficult to assemble a culturally diverse membership; it was more difficult to develop a team that could be productive together. Additional characteristics, as critical to the project's success as cultural diversity, were openness to change, flexibility, and personal compatibility. Variation in faculty status and general international experience enhanced the relational and content contributions that members could make to learning. Finally, researchers selected for international as well as qualitative and quantitative research skills and experience contributed to overall success (Steers et al., 1992), especially at the second, third, and fourth research stages. Figure 1 shows growth in consortium membership.

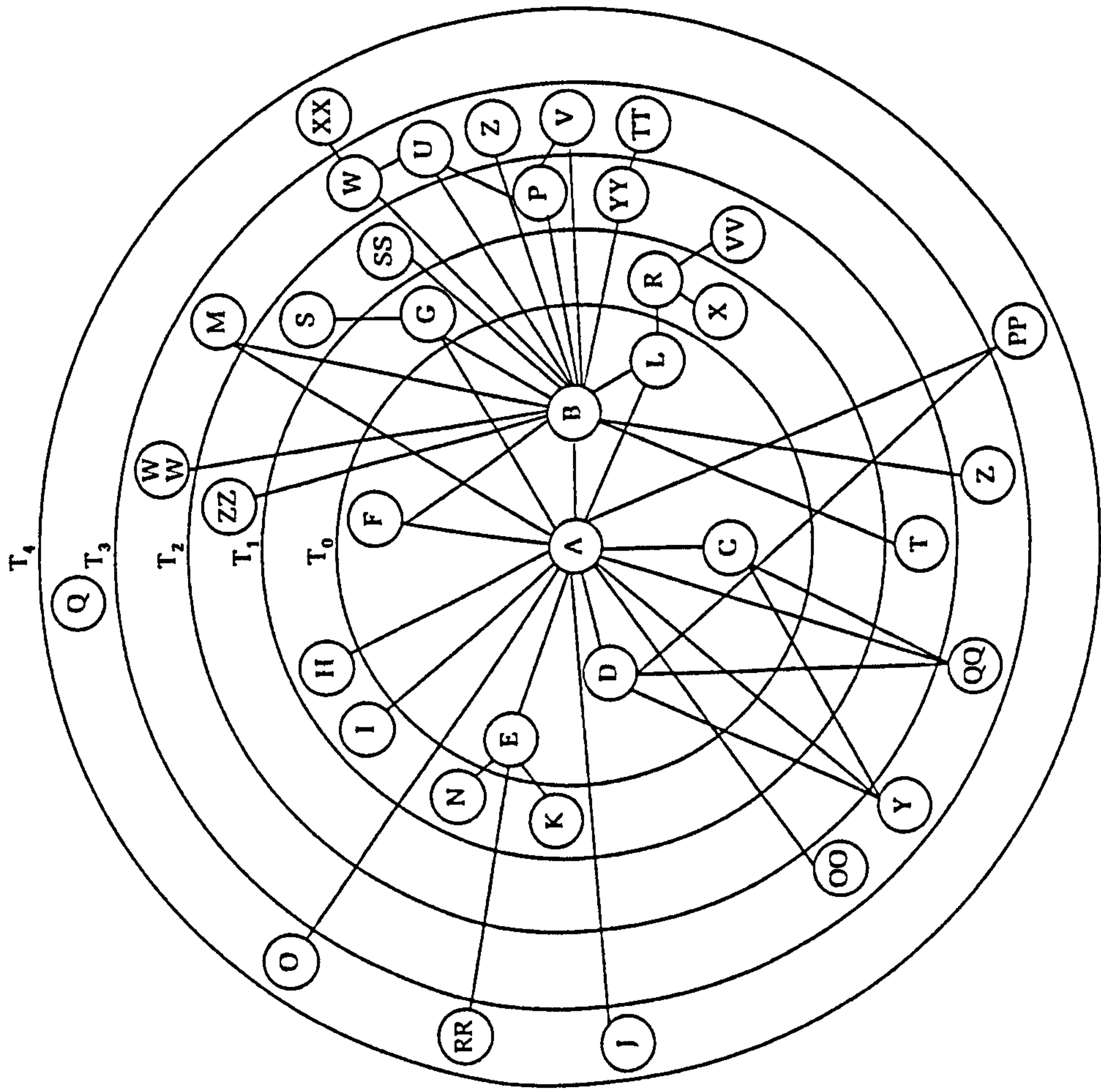
Generating the Research Questions and Constructing the Survey

This stage involves identifying the boundaries of a project, designing the research, and implementing the design.

First relational issue: Designing the research. Our key learning point

here was that it was not difficult to agree on the topic, best international HRM practices; it was more difficult to identify the boundaries of the project. Vigorous dialogue resulted in a more strategic focus than had been initially defined. Important philosophy of science differences emerged in designing the project. Core members engaged in much dialectic discussion regarding what to ask and how to measure what we wanted to analyze. There was considerable argument and negotiation in this phase regarding

FIGURE 1
Evolution of the Best Practices Web of Affiliations



T₀ = conceptualization stage, prior to group meetings (spring 1990)

T₁ = first core team meeting (May 9, 1991)

T₂ = second core team meeting (August 11, 1991)

T₃ = third core team meeting (August 9, 1992)

T₄ = fourth core team meeting (August 9, 1993)

scales and their interpretation. The core team members' diverse research heritages were clearly evident. We concluded that discussion and refinement among a large number of participants, although very time-consuming, contributed to a more comprehensive, focused, and international problem definition, to a more sophisticated survey instrument, and to research team cohesion.

Second relational issue: Implementing the design. Survey development required input from the core members and much patience as the instrument was refined. Translation required incorporating a large number of affiliates into the process, and core members worked closely with them to produce the desired outcome of equivalent translations.

First content issue: Survey content. The first issue was what should be included in and what excluded from the survey instrument itself. Given the interdisciplinary composition of the core team, members viewed various issues differently. One view was that the value of the project would be significantly enhanced if best practices were anchored to locally responsive and globally integrated strategy dimensions. Another was that it was critical to include specific national culture questions. The integration of multiple perspectives contributed to the development of a robust instrument.

Second content issue: Methodology. Achieving a reasonable survey length required omission of many possible items. In the end, the core team settled on a 10-page short form to be administered to nonmanagers and a 12-page long form to be administered to managers and executives. In addition, sampling was an issue. The core team's original preference was to use random sampling, but it was necessary to shift to a quasi-theoretical sampling strategy, which is discussed later.

Third content issue: Implementation. Translation was the next step. With equivalence as the standard, we had to modify the instrument to make it appropriate in various cultural settings. Through the use of native informants, it became clear that there were regional differences within countries—for example, between the border and the interior of Mexico—and differences between countries in which the same language was spoken: England and the United States; Spain, Mexico, and other Latin American countries; Taiwan, the People's Republic of China, and Hong Kong; and so forth. These differences required preparation of two English, three Chinese, and several Spanish versions. A properly translated cover letter and questionnaire was important for motivating potential respondents to complete the surveys, as were the general looks of the survey instrument and the appearance of a project logo on all survey packets.

We found back-translation, with an emphasis on equivalence, to be on the first step. Questions that we asked, or did not ask, had a greater-than-expected effect. For instance, the original French translation did not have a question regarding the use of graphology in employee selection, and the native informant was astonished. We included such a question in the final version. The German translation required modification to increase the

salary option ranges. The original had salary levels that were considered insulting to German managers. The Mexican translation required use of more elementary language for the short form. Equivalence is not enough; there must be some specificity, or local responsiveness, in each country, and often in different regions within a country. In addition, in several countries, potential respondents recognized the survey as American, despite the use of translations and back-translations. They considered "another American survey" as not relevant to them and refused to respond. One individual commented, "We are surveyed to death by U.S. researchers."

Doing the Research

Sharing learning regarding the conduct of this research was essential to doing the research. There were periods of euphoria, which were often followed by dejection when the consortium encountered a particularly challenging dilemma. Communication, coordination, and control emerged as key issues, more so perhaps given the diffusion of researchers around the world. Finally, the core team found that it needed to expand itself and that consortium boundaries could be permeable, with members withdrawing and returning at times.

First relational issue: Shared learning. Although our core team was experienced, it was necessary to "grow" our research skills. The core team developed coping skills; in particular, practical problems led to the use of alternative research strategies, which in turn led to important learning points. There was significant discussion and sharing of field experiences on data collection techniques and issues relating to research entrée. This shared learning allowed the project to move forward. For example, we changed our sampling and site selection strategies because of the experiences of some consortium members and shortened the survey instrument after initial site work.

Second relational issue: Communication, coordination, and control. It is challenging to maintain and sustain communication, control, and coordination among transorganizational system (TOS) and network members (Cummings, 1984). Communication and coordination were accomplished here by use of electronic and other correspondence, faxes, telephone calls, and annual meetings. By the fourth meeting, there was a consensus that these meetings were necessary, but not sufficient, for coordination. Progress in implementing the project had been slow, in part because members were not able to work face-to-face. Geographic dispersion of the members made the cost of regular face-to-face meetings prohibitive.⁵ When members did have the opportunity to meet personally, significant progress was made.

⁵ The entire consortium has never met as a group.

Control was primarily behavioral—members' professional status provided the socialization that substituted for other forms of control relating to the process. A quasi-standardized questionnaire, with necessary cultural modifications, served as a control mechanism relating to content issues. In addition, when necessary, a senior member would supervise the activities of members with less research expertise.

Another challenge at this stage was the need to support members in their ability to form necessary organizational links for data collection (Cummings, 1984). One mechanism we used was providing a professional-looking questionnaire; another was identification of a prestigious university as the research hub and use of its alumni to seek participants; a third was the promise of making research results available to all participants; and a fourth was use of the best international HRM practices logo. Ultimately, we found that use of personal contacts was critical in forming these links.

Third relational issue: In/out participation. The consortium overcame many of the challenges encountered in the conduct of this type of research, in part through the composition of the team itself. Considerable effort was made to identify well-known academics in target countries. These professors generally had a wealth of contacts that they could use to provide research sites. Many members were well-known international researchers, consultants, and teachers who were able to use their previous experience and current and former students as site resources. We are left with the unfortunate conclusion that cross-cultural management research is more dependent on prominent researchers than is traditional research. Members' diverse nationalities and geographic areas of interest ensured that there was usually one member who had insider knowledge of "how things are done" in each country surveyed.

First content issue: Managing the participant interface. Response rates using a random sampling approach were disappointing. In Mexico, a mailing of 800 surveys yielded 34 usable responses—a response rate of about 4 percent. Efforts in Great Britain were worse. We shifted to reliance on core members' and affiliates' personal contacts and to quasi-theoretical sampling after considerable discussion within the core team. In Mexico, we were able to increase the response rate to more than 90 percent by masking the U.S. origin of the project and by changing the sampling technique. The British principal had almost no success prior to masking, despite the use of extensive personal contacts. We should be able to sort out these effects because careful records of survey administration practices in each country have been kept. Both of these solutions were developed by one principal and shared with the core team.

Personal contacts are helpful when doing research in North America but not necessary. Archival sources of information are plentiful, and mass mailings normally yield acceptable rates of return. North American firms value research for pragmatic reasons and managers feel they should help researchers without requiring direct benefits. (However, many North Amer-

ican managers will not answer questions that, like some of ours, concern internal workings and strategy.)

Outside of North America and Europe, archival sources are rare and often incomplete or in a language foreign to the researcher. As we found, mass mailings are rarely successful. Finally, academia plays a slightly different role in many countries, with less emphasis placed on research. Organizations in such settings, without a history of academics nosing around, are far less likely to view such activities positively.

Finally, Americans rely heavily on laws to govern personal and business relationships. Most other countries place less emphasis on contracts and more emphasis on trust. Such trust is built through social interaction and personal references from trusted acquaintances. In these settings, the data collection process requires these traditional approaches to building trust.

For all these reasons, personal contacts are essential when doing research in many countries, a fact that has significant implications for how cross-cultural management research is conducted. Interestingly, in some countries, when the firms targeted were high-profile ones, other firms contacted us. For example, once the prestigious firms in Mexico had participated, many others contacted the principal researcher there to request participation. In Canada, firms would participate if the research was associated with a prestigious Canadian university.

The most important implication of the need for personal contacts concerns sampling. When a researcher needs to personally know someone at each data site, it is almost impossible to get the random sample recommended for traditional positivistic research. This difficulty raises serious dilemmas for cross-cultural management research. How far can a study deviate from the normal rules of scientific rigor and still make a contribution? Is it advisable to strive for positivistic methods, or should alternative approaches be granted more legitimacy? How can researchers compensate for such disadvantages?

The literature on theoretical sampling (Eisenhardt, 1989, 1991; Glaser & Strauss, 1967; Sutton & Callahan, 1987; Yin, 1984) offered a partial solution. Selecting theoretically useful firms for participation became the new goal. Our approach was similar to what sociologists call snowball sampling. We refer to our sampling process as quasi-theoretical because, although the firms were not always ideal in terms of theoretical usefulness, their participation allowed us to build sample size to a point at which we could access firms that were theoretically useful. (Initially, we could say more about international HRM practices than about best HRM practices.) Additional implications of needing a personal contact at each data site are that data collection is very time-consuming, great effort is needed to find sites, the time and financial demands on researchers are significant, and sample size is restricted.

Another interface issue was how potential respondents perceived the project. Our British principal had a problem when his respondents com-

plained of the perceived American nature of the survey. Such a perception could bias their answers, or generate psychological resistance, or both. In response, we changed the survey's appearance to suggest that he was the chief researcher and that this was a British project. Similar problems occurred in Canada and Mexico, and we found the same solution effective.

Finally, lack of familiarity with a target language can cause difficulties. While in Taiwan soliciting participation by high-technology firms, one principal, who did not speak Chinese, was asked to give a copy of the survey instrument to the head of the company in which she was lecturing. He began reading with considerable interest and quickly became highly agitated. It turned out that he had the People's Republic Chinese language version, not the Taiwanese version. The embarrassment was acute on all sides, and this company did not participate in the best practices project.

Key learning points here are that it is necessary to (1) use extreme care with back-translations, using translators and back-translators with translation expertise and business knowledge in the target language, (2) pilot-test in each country or region, and (3) have a field office in each country or region with its own cover letter, local researcher, and local address.

There are also respondent interface issues relating to survey administration. Notable was the process we identified for negotiating access to national samples. We found that it was necessary to begin at a regional level—in a city, county, or state, for example—using personal contacts, and to then build to the national level. This point was concurrently realized and implemented by several researchers in several countries, although it was not discussed until much later.

In addition, we encountered significant differences regarding respondents' expectations about survey administration. Substantial flexibility on the part of the researchers was needed. For example, many of the surveys administered in Mexico were done face-to-face; the same researcher had equal success using the mail in the United States; and a three-person data collection team was needed in Sweden. We concluded that survey administration should be delegated to the consortium members with the closest geographic proximity to the potential respondents and that it was best to rely on those researchers' insights and experience regarding appropriate survey administration.

Second content issue: Flexibility in the face of new information. One of our more significant learning points involves sampling. It was easy to define the ideal sampling strategy as wide—extending across many industries and organizations—and deep: extending through multiple levels within each organization. Practical challenges made it impossible to sample extensively within organizations and consequently, the focus shifted to an alternative, “one plus five” strategy, which involved sending the survey to one person and asking that person to give it to five additional people in his or her organization who could reasonably respond to the items. We were able to access a wide variety of different-sized firms in various

industries using this snowball approach, which was effective across all of the cultures sampled.

Third content issue: Cost. The best practices project is expensive. Lack of external funding has restricted consortium members' ability to meet and to pay for a centralized data repository, data entry, and travel to research sites. Some members have used personal resources to fund parts of the project, and some have received small grants targeted at specific aspects. Several principals and affiliates have used personal research budgets to pay for postage, copying, mailing, translations, and data analysis. Graduate students received academic credit for work on small parts of the project. Doctoral students have undertaken larger parts as dissertations. Travel has most often been paid for by linking it to other, funded travel, such as overseas consulting, international conference participation, or teaching. In addition, use of affiliates in many countries significantly reduced translation, administration, and travel costs. Early on, several applications for external funding were submitted, but the project was never funded. The principals believe that this is attributable to the project's relatively low sophistication at that early point in consortium development.

Fourth content issue: Delegation versus participation. As Figure 1 shows, the web of affiliations that surrounds research like this is very large. When this size is added to the scope of activities required to implement the methodology, the project becomes very complex. Core members found delegation of some responsibilities, such as document preparation, minutes preparation, and initial draft report preparation, effective. Once completed, these documents can be passed to other members for refinement and additions. Some responsibilities must be jointly executed, however; these include topic definition, methodology determination, and data interpretation. Finally, tasks like survey administration can be accomplished by an individual or a small team. We found breaking the project into smaller, regionally focused parts was central to successful implementation.

Fifth content issue: Perseverance. This project certainly exceeded the core members' expectations regarding the time it would take to complete. In some phases of the research process, time-consuming obstacles arose. For example, we relied on affiliates for translation and back-translation: this process was often painstakingly slow. We relied on the good will of respondents to motivate the return of questionnaires, and this process was also very slow, partially because of slow international mails. In addition, the project's complexity itself slowed the process down. It takes longer for a large group to reach consensus regarding issues than it does for an individual or a small group to make decisions. Our key learning point is that flexibility and perseverance are critical coping skills for research such as this.

Making Sense of the Findings

Making sense of the findings required face-to-face discussions, essentially a repeat of the vigorous discussion and negotiation process that

occurred in stage two. Key topics included the need to build consensus regarding analysis and then joint processing and interpretation of the data.

Relational issues. Our core team members' research knowledge varied widely; some were sophisticated in complex quantitative techniques, others in qualitative techniques, and some in both. These differences resulted in equally wide variation in the types of data that team members trusted. This contrast brought us back to the idiographic-etic/nomothetic dilemma (Hofstede, 1984; Lammers, 1977). What evolved was a consensus that multiple methods—surveys and exemplary case studies—would produce the best study. This perspective is consistent with Steers and colleagues' (1992) urging researchers to use diverse methods to help ensure rigor.

Content issues. Our key learning points regarding analysis included identification of the need to establish a centralized data repository and common data entry format, preceded by the need to build consensus regarding analytic techniques. This centralization provided consistency in the analysis of the data and economies of scale (we did not have to individually train and supervise data entry assistants).

At the time of this writing, the consortium had just begun to integrate and interpret the data that we had collected so far. We were approximately halfway in our data collection efforts and committed to jointly interpreting the data and presenting it in such a way that it would be useful to myriad audiences.

CONTRIBUTIONS TO A THEORY OF COMPARATIVE MANAGEMENT METHODOLOGY

How does what we have learned in the best practices project contribute to a theory of comparative management methodology? We have found that the best practices case study supports a model of comparative management methodology that expands upon the synthesis of TOS theory (Cummings, 1984) and comparative management research theory (Adler, 1984; Boyacigiller & Adler, 1991; Steers et al., 1992). Blending these perspectives, we can more carefully describe the rudiments of a midrange theory of comparative management research explaining relationships between variables that contribute to effectiveness in multinational, multicultural collaboration.

A complete theory contains four essential elements: (1) identification of the variables that should be considered in the explanation of the phenomena of interest, (2) explanation of how those variables are related, (3) discussion of the logic underlying the model, and (4) identification of the boundaries of the model's generalization (Dubin, 1978). Whetten (1989) posited that most scholars improve existing theory rather than generate it from scratch. We borrowed from the TOS or network perspective to strengthen the cross-cultural research methodology perspective.

Key Variables

The desired outcomes of multicultural collaborative research are the generation of reliable and valid data and accurate interpretation of that data. According to Cummings (1984), the three input variables that influence these outcomes are (1) the motivations for conducting the research, (2) composition diversity of the research membership, and (3) the project's content and relational design features. Three interactions that influence outcomes are (1) the level of effort expended, (2) the levels of knowledge, skills, personal characteristics, and resources available, and (3) the coordination mechanisms used. Four environmental variables that influence both the input variables and the interaction variables are (1) funding, (2) information availability, (3) time availability, and (4) university reward systems. Finally, the scale and scope of the task influence effectiveness.

Relationships Among the Variables

Essentially, the project champion initiates the process. Input variables influence interaction effects, which in turn contribute to outputs. The environment influences input and interaction variables, and the nature of the task influences outcomes. Figure 2 represents these relationships.

We posit that use of a project champion has a strong and positive relationship to establishing a research team and to their motivation. A project champion appears essential to initiate formation and to motivate consortium participants. In addition, we argue that diversity in the composition of a TOS has a strong and positive relationship to the reliability and validity of the data collected. Diversity includes cultural and national variety and variation in specialization, research heritage, and career stage. This variation is essential to success in the second, third, and fourth research stages.

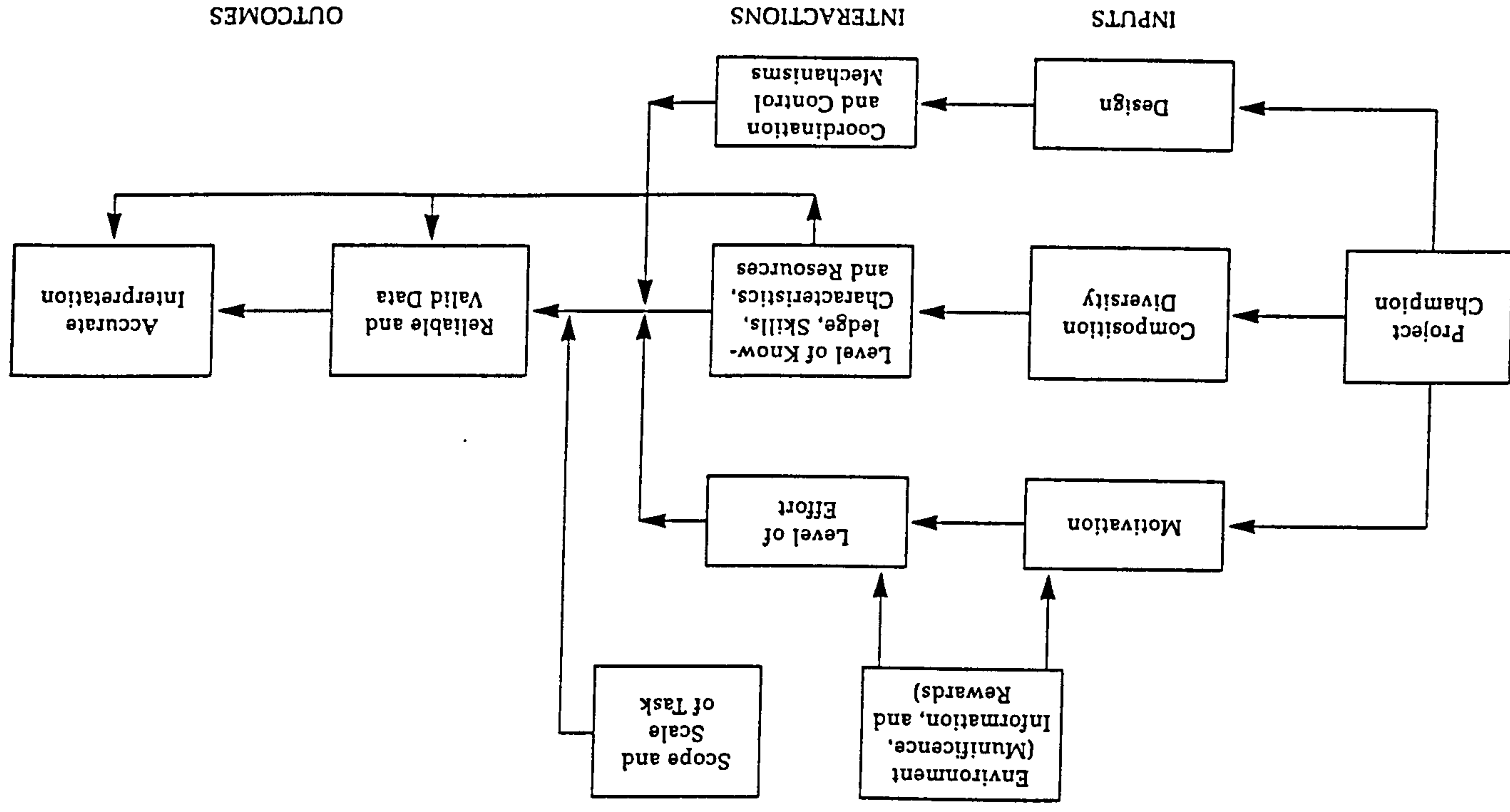
We suggest that high complexity in the composition of a research consortium has a strong and positive relationship to the reliability and validity of the data collected and to the generalizability of the findings. (High task complexity requires high complexity in the research consortium's composition.)

Finally, we suggest that use of face-to-face meetings has a strong and positive relationship to the reliability and validity of data collected and to the generalizability of the findings. The processes that underlie these relationships are too complex to be effective simply using correspondence, electronic mail, telephone conversations, and so forth.

Underlying Assumptions

A key assumption underlying many researchers' prescriptions regarding comparative management research is that cultural diversity among collaborators ensures rigor (Adler, 1984; Boyacigiller & Adler, 1991; Steers et al., 1992). But diversity is only a partial guarantee. We moved beyond it and assumed that a higher level of rigor is ensured by the integration of

FIGURE 2
Process Model of Multinational, Multicultural, Interdisciplinary Research^a



^a Adapted from Cummings (1984).

diversity in functional skills, knowledge, personal characteristics, and other resources.

Although consortium composition and research design are important, we found that relational design features and motivation issues were equally important to rigor. We suggest that relational issues in particular are critical to the success of this type of research.

Boundary Conditions

Specification of boundary conditions identifies situations beyond which given variables and relationships do not apply. Two dimensions of environmental munificence influence the boundaries of this model: (1) time availability and constraints and (2) reward systems in the field of management research. Time constraints and the related pressures of the academic reward and promotion system both impede use of this methodology.

The nature of the task influences the boundaries of this model. Research tasks can be conceptualized as positioned along a continuum ranging from simple to complex. If a task is simple—for example, very narrow in scope—the approach to research outlined here is excessive. In the best practices study, high numbers of variables and countries made for complexity. In contrast, Hofstede (1984) studied a large number of countries but one firm; the narrow scope of his research made it less complex than ours. A project can be sufficiently simple that it does not warrant the costs associated with use of a TOS.

Finally, the way comparative research is perceived in host countries establishes the third boundary condition. If people in a host country are not convinced of the validity of research, it will be difficult to recruit consortium members, access research sites, and disseminate findings.

CONCLUSIONS

The cautions of previous researchers regarding cross-cultural research methodology and the need for multinational, multicultural, interdisciplinary teams were, by and large, accurate. We consider our major contribution to be the conclusion that what cross-cultural management researchers do (the content of research) is important—but that just as important is how it is done. Rich interaction is the sine qua non of this type of research. There were four types of interactions in our project: (1) theoretical interactions (research design, survey development), (2) pragmatic interactions (translation, back-translation, survey administration), (3) interpersonal interactions (building commitment, sharing learning), and (4) integrative interactions, which are essential for maximizing the synergy of the foregoing. The synergy that can be developed through the integration of these interactions is the key to rigorous cross-cultural research.

In executing this research, the consortium broke many of the rules of the scientific method. However, this research could not have been conducted unless the boundaries were acknowledged and then bypassed.

Twenty years ago, a paradigm shift in research methods occurred with the move from univariate to multivariate statistical analysis, which allowed exploration of much more complex relationships in organization behavior and management phenomena than had previously been addressed. Comparative management researchers explore topics that are especially complex. The next generation of comparative management studies should rely on research strategies that build and benefit from integrative synergies. We suggest that use of collaborative research consortia like ours represents a potentially similar paradigm shift for comparative management research.

We have extended the advice found in the literature by incorporating the importance of process management, which emphasizes managing relationships, into the formula for success. We have elaborated upon what takes time and why this type of research is more costly than other types. We have also illustrated that approaches that are not traditional can still be used to maintain the integrity of fairly traditional survey research and permit methodological rigor. We have shown that flexibility is important because this type of research is fraught with obstacles.

We have had an interesting and exciting journey reaching this point in our research process. The best practices consortium has found that the impediments to cross-cultural management research are real but not fundamentally insurmountable. In fact, they bring out the creativity, innovativeness, and entrepreneurship of research consortium members. The shared learning that occurs not only benefits the project team collectively, but also increases the understanding of and sensitivity to cultural issues of individuals. A "culture-wise" and sensitive cadre of scholars who will enhance their individual research streams can grow out of the interaction and learning process. We believe that this process has built bonds between consortium members that will endure across our careers. Most important, we hope that our idiographic research process discussion will help others in their pursuit of large-scale, cross-cultural management research.

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Staffing Policies and Strategic Control in British Multinationals

While the effective management of human resources is increasingly being recognized as a major determinant of success or failure in international business (Tung, 1984), in practice many organizations are still coming to terms with the human resources issues associated with international operations (Dowling, 1986).

In the international arena, the quality of management seems to be even more critical than in domestic operations (Tung, 1984, p. 129). This is primarily because the nature of international business operations involves the complexities of operating in different countries and employing different national categories of workers (Morgan, 1986, p. 44). Yet, while it is recognized that HRM problems become more complex in the international arena, there is evidence to suggest that many companies underestimate the complexities involved in international operations. The field of international human resource management, however, is only slowly developing as a field of academic study and has been described by one authority as being in the infancy stage (Laurent, 1986, p. 91). Moreover, there is relatively little empirical research that documents the international HRM strategies and practices of international firms—particularly firms that have their headquarters outside North America.

This article reports some of the findings from a recent study of international human resource management in Britain- and Ireland-based international firms. One particular feature of the study was the exclusive focus on "managing managers." Particular attention is given

to three key issues in the area of international human resource management: international staffing, international recruitment, and the variety of issues surrounding the problem of shortages of international managers. I will also briefly consider the nature of the human resource management challenges facing companies in the light of the Single European Market.

A study of how companies deal with the international human resource management issues outlined above is particularly appropriate for the reasons enumerated below.

First, the international staffing process is of considerable importance to an international firm: "Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving this problem, I am confident we can cope with all others" (Ducerr, 1968, p. 43).

The staffing problems facing international firms are more complex than in domestic firms, and inappropriate staffing policies may lead to difficulties in managing overseas operations. The international literature indicates that expatriate failure is a persistent and recurring problem, particularly for U.S. multinationals (Desatnick and Bennett, 1978; Mendenhall and Oddou, 1985; Tung, 1981). Frequently, the human and financial costs of failure in the international business arena are more severe than in domestic business. In particular, indirect costs such as loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai, 1984).

Second, the shortage of international managers is becoming an increasing problem for international firms. A survey of 440 executives in European firms claimed that a shortage of international managers was the single most important factor constraining corporate efforts to expand abroad. Almost one-third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation (International Management, 1986, pp. 21-25). The findings of the survey suggest that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers (Hamill, 1989, p. 18).

Third, there is little empirical research on the international human resource management issues associated with the management of man-

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agers in British and Irish international firms, especially in comparison to the considerable literature on international human resource management in U.S. firms.

Fourth, the advent of the Single European Market and the rapid growth of British direct investment abroad since the early 1980s mean that issues of international staffing, recruitment, and development are increasingly important concerns in a far wider range of organizations than the traditional giant multinationals (Scullion, 1992a). International HRM problems are becoming increasingly important for a growing number of smaller and medium-sized companies that have significantly internationalized their operations in recent years.

Research methodology and sample

The principal research method was structured interviews with each company's corporate personnel or human resources director, or with a senior corporate HR executive. The majority of interviews were conducted in 1990, the remainder in 1991. The duration of interviews varied from two hours to three and a half hours. During each interview, information was sought on company structure and international operations. The interviewer also asked questions concerning international staffing, expatriate performance, international HRM policies, and international management development.

These questions were adapted from a study by Tung (1981) and through consultation with a number of international HRM practitioners. The purpose of the questions was to provide a structured basis for each interview, and responses to questions were noted by the interviewer since interviewees were not asked to fill in a questionnaire. Additional information was obtained from company reports, company documents such as international personnel policies, and newspaper articles.

Forty-five international companies participated in the study. Forty companies were British-owned and five were Irish-owned international firms. The sample was specifically chosen to include companies from both the manufacturing and the service sectors. Twenty-six companies in the study were primarily manufacturing firms and sixteen were service sector firms. Two oil companies and one mining company also participated. The size of the companies in this international firm sample ranges from medium to very large, with the total number of employees worldwide ranging from 9,500 to 240,000. The smaller size of

the Irish international firms and their relatively recent internationalization were two principal reasons for their inclusion in the study. For the sample as a whole, there was a wide range in the number of countries the companies operated in, and in the length of experience in international operations.

International staffing policies and practices

International firms face three alternatives with respect to the staffing of management positions abroad—namely, the employment of parent-country nationals (PCNs), host-country nationals (HCNs), or third-country nationals (TCNs). Much of the existing research focuses on the advantages and disadvantages of using expatriates as opposed to local managers and it identifies a range of host-country, company, and individual factors as important considerations in international staffing decisions. Most studies are, however, largely inconclusive on the question of when parent-country nationals should be sent abroad (Boyacigiller, 1990).

The findings of the present study on staffing practices in British and Irish international firms reveal that a majority of the companies continued to rely heavily on parent country nationals to run their foreign operations. The research findings showed that, while almost 50 percent of companies had formal policies favoring the use of host-country managers to run their foreign operations, in practice just over one-third operated with host-country nationals in senior management positions in their foreign operations. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations. Furthermore, the trend has moved in the direction of greater use of expatriates. Half of the companies in the sample (22 out of 45) reported an increase in the use of expatriates over the previous decade and only 20 percent indicated that they had reduced their use of expatriates. The remainder reported no significant change.

These findings raise serious questions about the ability and commitment of some British multinationals to identify and develop host-country managers effectively in their foreign operations (Scullion, 1991). Therefore, the recruitment, selection, and development of host-country managers emerges as a vital issue for British and Irish multinationals, given the need to develop global teams with a variety of different perspectives and competences.

The findings of the present study on staffing practices in British and Irish firms reveal sharp differences with U.S. experience. Indeed, recent work by Kobrin suggested that the tendency of U.S. multinationals to reduce the numbers of expatriates had gone too far. He argued that U.S. firms have tended to substitute host-country nationals to replace expatriates primarily in response to the difficulties U.S. managers have experienced in adjusting to other cultural environments (Kobrin, 1988, p. 66).

Kobrin recognized that the increased use of host country managers may in part reflect the cost of maintaining expatriates abroad, the greater sensitivity of local managers to local culture, and local market needs and the growing international maturity of some multinationals. It is suggested, however, that expatriate reduction may result in U.S. multinationals facing reduced identification with the worldwide organization and its objectives, difficulties in exercising control, and a lack of opportunities for U.S. managers to gain international experience abroad. The principal concern is that U.S. multinationals could face major strategic management control problems where managers identify with local units rather than with global corporate objectives (Kobrin, 1988, pp. 68-73).

The present study identified a number of principal reasons for employing expatriates. The first was the lack of availability of management and technical skills in some countries. There was a greater tendency for companies to use expatriates in less developed countries due to the weak pool of available local management talent. This was also true for those companies that used host-country managers to run their foreign operations in advanced countries.

The second major reason cited for using expatriates was the objective of control of local operations. Thirty-three out of forty-five firms in the present study identified control as a key reason for their use of expatriates. Expatriates were felt to be more familiar with the corporate culture and the control system of headquarters, and this was felt to result in more effective communication and coordination. Indeed, a key role for senior expatriates was to train local managers to understand corporate financial and control systems. This point is illustrated by a comment by the human resource director of a financial services company: "The main advantage of using expatriates is that they understand our [corporate] culture and reporting systems and they teach the locals how to relate to the centre. This is vital when you are establishing a new foreign business."

This finding on the importance of control is consistent with previous research on European multinationals which shows control to be an important reason for expatriate transfers (Bjorkman and Gertsen, 1990; Brewster, 1988; Torbiörn, 1985). Yet, in previous research, only rarely (e.g., Edstrom and Galbraith, 1977) has control been identified as an important aim of expatriate assignments. This probably reflects the North American origin of much previous research and the tendency of some managers and researchers to view control as a rather disreputable rationale for using expatriates (Brewster, 1991, p. 34).

A further key reason for using senior expatriates was to maintain trust in key foreign businesses, following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquisitions by comparison with greenfield sites (Hamill, 1989, p. 22). The emergence of trust as a major factor is related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s. For example, in the late 1980s, a U.K. brewing and leisure company emerged as one of the world's leading hotel groups, following a massive £2 billion acquisition of a global hotel chain. In this example, a major reason given for using expatriates to run the acquisition was "the need to have the peace of mind which comes from having our people running such a large and strategically important investment." There was often an unwillingness to allow newly acquired foreign businesses to be run by the existing host-country national management, primarily because they were not known well enough and their loyalty to the business was not proven.

The research also found that using expatriates for management development purposes was important and was increasing in significance for British multinationals. Thirty-four out of forty-five companies reported that expatriates were used for development purposes, and twenty-five of these firms claimed that use of expatriates for this purpose was becoming more important. This reflects the tendency of British companies to see expatriation as part of the career-development process. In this context, it is interesting to note that, in most cases, the management of expatriates was the responsibility of the corporate human resource function. This was the case even in some highly decentralized organizations (e.g., engineering companies) where the corporate human resource role was rather limited.

One very recent trend identified by the research was the tendency

for companies to give younger managers international experience much earlier in their career than previously. Over half of the companies in the sample (26 out of 45 companies) reported significant changes in this respect. This was linked to the growing problems of mobility (spouse's job, children's education, etc.) for older managers. This also reflects the strategy of some companies to broaden the opportunities for international development, and the growing recognition in some quarters that the payback on the investment of a developmental assignment may well be greater with a younger manager.

The performance of foreign subsidiaries also emerged as a significant factor influencing the use of expatriates. There was a greater tendency for the companies in the sample to use senior expatriates where the acquired business had been underperforming before the foreign acquisition. Similarly, poor performance by host-country managers in the postacquisition phase was cited as an important reason for replacing them with expatriates. This finding is well supported in the literature, which has frequently reported that crisis accentuates headquarters control (e.g., Hammil, 1989).

This is well illustrated by the case of a major British food and drinks company that made two very large acquisitions in the United States in the late 1980s. The first acquisition was a global drinks business with its headquarters in the United States, and the second was a large U.S. food business. The staffing policy differed sharply in the two acquisitions. In the former case, the existing management team (composed entirely of host-country managers) continued to run the business. "In this case," said a corporate HR executive, "we inherited an excellent management team who were achieving first-class results. Why change a winning team and upset morale by introducing expatriates?" In the second case, by contrast, the entire U.S. management team was replaced by expatriates, "mainly due to poor financial results and weak managerial performance."

Another factor influencing the approach adopted by companies was a strong expectation on the part of major foreign customers (and sometimes foreign governments) that the top managers in their country should be parent-country nationals. Thirteen of the sixteen international firms in the service sector and a minority of manufacturing firms (6 out of 26) said they had taken this into account in deciding their policy. Public relations and marketing were usually the key roles in this context. Previous research has largely ignored this factor because

it has concentrated on the very largest multinationals and tended to neglect the service sector (Brewster, 1991, p. 33).

For example, two Irish banks operating in the United States felt that there were considerable marketing and public relations advantages in using expatriates, given their marketing strategy of targeting the ethnic Irish population. In the banking, insurance, and finance areas, British companies reported that, in many countries, major foreign customers frequently had a strong preference for their senior executives to be British expatriates.

There is also strong evidence from the present research that expatriates are more likely to be used in the early stages of new foreign operations. This is consistent with previous research that shows this practice is common in the early stages of internationalization where a company is setting up a new business, process, or product in another country, and prior experience is considered essential (Zeira, 1976). A majority of firms indicated that control and trust were particularly important in the early stages of internationalization. In the present study, this factor had become more significant due to the rapid growth of international business in the last decade.

Nearly half of the companies (21 out of 45) also cited weaknesses in their training and development of host-country national and third-country national managers to explain their continued use of expatriates, despite a formal policy to replace expatriates with host-country managers after the startup phase. A typical comment in this respect came from a pharmaceutical company: "The training and development of host-country nationals and third-country nationals is a major weakness in achieving our objective of localising management in our operating companies."

Shortages of international managers

It was argued above that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers. In the present study, two-thirds of the companies (30 out of 45) said that they had experienced shortages of international managers and over 70 percent indicated that future shortages were anticipated.

While the faster pace of internationalization was cited as the primary reason for shortages by thirty-four of forty-five firms in the

sample, the findings suggest that over half the firms (24 out of 45) reported that failures to recruit, retain, and develop host-country managers effectively were another key reason why shortages exist. A number of factors make the recruitment of host-country managers more difficult and costly compared with recruiting in the home country. These include: lack of knowledge of local labor markets; ignorance of the local education system and the status of qualifications; language and cultural problems at interviews and trying to transfer recruitment methods that work well in the United Kingdom to foreign countries.

Many international firms have tended to neglect the training and development needs of their host-country managers and focus virtually all of their managerial development efforts on their parent-country nationals' managers (Shaeffer, 1989, p. 29). Twenty-six of the forty-five firms in the sample reported that weaknesses in their training and development in respect of host-country managers had contributed to shortages of international managers. The failure to develop local managers effectively was frequently given by British multinationals as a reason for continuing to use U.K. expatriates in similar management positions rather than using local managers. Alternatively, this could be interpreted as something of an excuse for their preference to use expatriates beyond the development phase of international operations.

The present research highlighted three important lessons for those international firms that are seriously attempting to provide management training and development for host-country nationals and third-country nationals. First is the need to avoid the mistake of simply exporting parent-country training and development programs to other countries. This point is illustrated by the following comment from the personnel director of a large chemical firm: "We have learned from some tough experiences that training and development programmes for local managers must be culturally adapted to local conditions."

Second, the management development programs for host-country and third-country nationals need to be linked to the strategic situation in each country, as well as to the overall strategy of the firm. This need to take into account a variety of foreign product-market situations superimposed upon the overall strategic thrust of the firm adds considerably to the complexity of devising appropriate management development programs (Scullion, 1992b).

The third lesson is the need to utilize much further the practice of developing host-country managers through developmental transfers to

corporate headquarters. It has been argued that this type of international transfer exposes host-country nationals and third-country nationals to the headquarters' corporate culture and facilitates their developing a corporate perspective, rather than simply reflecting their own local interests (Dowling and Schuler, 1990, p. 109).

It has also been argued that this approach to development can be very effective in helping to develop global management teams and is a necessary part of successfully operating a truly global firm (Edstrom and Galbraith, 1977; Prahalad and Doz, 1981). The present research indicated, however, that a majority of British companies still failed to recognize the need to develop high-potential host-country national managers to senior positions that exist outside their own countries, and this exacerbates the problem of attracting and retaining high-potential young managers in the host countries.

Responses to the shortages of international managers

Nineteen of the forty-five companies had responded to the shortage of international managers by attempting to identify parent-country managers of high potential at an earlier stage in their career, and by giving them international experience at a much younger age. Over one-third of the companies reported that they were sending young managers of high potential on international assignments partly for developmental purposes. This was in sharp contrast to the previous practice when many MNCs relied on developing a cadre of career expatriates who moved from one international position to the next. The trend towards giving younger managers from the parent country the opportunity for international experience earlier in their careers was often part of a more general trend to give international experience to a wider range of managers, and not just to a relatively small group of expatriates. Increasing numbers of international firms were also using short-term developmental assignments in order to develop larger pools of employees with international experience.

Another significant response to the shortage of international managers was the rapid growth in importance of external recruitment to fill management positions abroad. Until a few years ago, the majority of firms had relied almost exclusively on internal recruitment for foreign management positions. British MNCs traditionally had a strong preference for well-known internal managers for expatriate management po-

sitions, as they had established track records and their loyalty to the company was proven. Over one-quarter of the firms (13 of 45) in the study had, in the past five years, introduced external recruitment to fill management positions abroad, and several others were planning to do so. Financial services companies were a good example of this: some of these companies had rapidly internationalized relatively recently and felt they had to recruit externally at the senior level to establish their foreign operations.

Graduate recruitment

A third response to the shortages of international managers by fourteen of the forty-five companies was to attempt to sell themselves more effectively to graduates through various types of marketing designed to highlight the international nature of their activities (e.g., in graduate recruitment brochures and in national press advertising). This type of marketing highlighted the prospects of early international experience to attract graduates seeking an international career. This can be illustrated by the example of the two textile companies that had a policy of sending young graduates on international assignments within three or six months of joining the firm. This policy was very effective and was designed specifically to recruit high-potential young graduates who were particularly interested in an international career. The corporate human resources director of one of the textile companies commented: "Textiles is not a particularly fashionable industry. We are competing for the best graduates with companies that enjoy a more glamorous image. The fact that we can offer the opportunity of very early international experience is the main reason we can attract some high potential graduates when the big guns, such as Shell, BP, and ICI, are fishing in the same pool."

A minority of companies (8 of 45) were also broadening their sources of graduate recruitment to include some continental European countries, and this reflected their anticipation of a growth in the competition for high-potential graduates following the advent of the Single European Market. Two computer companies had recently introduced Euro-graduate management development programs. A feature of these programs was that graduates were recruited from several European countries for a two-year period of training and development in the United Kingdom. On completion of their training, graduates were

transferred to a management position in a third country. The need to develop more flexible succession planning systems to support the development of Euro-graduates was identified as an important issue by both firms operating this type of program.

There was also growing recognition of the importance of developing effective international management development programmes to help secure an adequate supply of international managers. The majority of firms reported that they were spending more money and more time on international management education, particularly for top and senior management. These firms were using a combination of internal and external international management development programs. One interesting feature of these programs was that teachers frequently came from prestigious foreign business schools in Europe and the United States, as well as from internal sources. However, only three of the forty-five firms claimed they had effective systems for evaluating their international management development programs.

The introduction of language training for top, senior, and middle levels of management by the majority of companies in the study was seen as an important development in light of the acute shortages of international managers with language skills. This suggests that the importance of language training is increasingly being recognized by British multinationals. This finding is in sharp contrast with studies of U.S. MNCs, which found that only a minority of U.S. MNCs felt that knowledge of foreign languages was necessary for conducting business abroad (Baker, 1984; Brewster, 1991; Tung, 1981). Increasingly, it was recognized that language training increased the effectiveness of staff working abroad and helped them relate more easily to a foreign culture. There was also a growing awareness that language training promoted a better image of the MNC in the host country.

Problem areas

There were two areas, however, where the companies were clearly failing to take effective action to ease the acute shortage of international managers. First, there was no evidence that British multinationals were taking serious steps to increase the proportion of women in international management. International management has long been a masculine preserve in Europe and the United States. Adler's study estimates that under 3 percent of North American expatriates are fe-

male (Adler, 1984, p. 81). In the present study, no company claimed to have more than 3 percent of female expatriates. Indeed, the evidence suggests that women in British multinationals are not making as much progress in international management as women in U.S. multinationals. For example, in the U.S. banking and financial sector, there has been a significant increase in female expatriates (Adler, 1984, pp. 83-84).

The underrepresentation of women in international management is illustrated by a quote from a woman HR executive of a U.K. pharmaceutical company: "In the UK, the majority of marketing staff are women. By contrast, in our foreign operations, the vast majority of marketing staff are male. Companies still tend to shy away from using female expatriates because of fears that women will not be accepted in some countries and the major problem of disrupting the career of their partner." The lack of willingness to recruit and develop women as international managers is worrying as recent research suggests that, in many ways, women are well suited to international management (see Westwood and Leung, this issue).

The second area that impacts on the supply of internationalists is the failure by many companies to adequately address repatriation problems. The repatriation of managers has been identified as a major problem for multinational companies in the United Kingdom and North America (Adler, 1986; Hamill, 1989; Harvey, 1989; Johnston 1991). Over 70 percent of the firms (33 of 45) in the present study said they faced significant problems regarding reentry. Further, it was generally recognized that this may lead to low morale and a higher turnover of expatriates. For example, only three of the firms claimed that repatriates had no difficulty reintegrating into the U.K. organization. A key problem for the majority of companies was finding suitable posts for repatriates of similar status and responsibility to those they held abroad. For many British MNCs, this problem had become more acute in recent years because, for many of the companies, expansion of overseas operations had taken place at the same time as the rationalization of U.K. operations, thereby reducing the number of senior posts in the United Kingdom. Other problems associated with reintegrating into the United Kingdom are loss of status, loss of autonomy, loss of career direction, and a feeling that international experience is undervalued by the company.

Further, there was growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates

on reentry, managers will be more reluctant to accept the offer of international assignments. Research in North America indicates that 20 percent of all managers who complete foreign assignments wish to leave their company on return (Adler, 1986). This was a growing problem for British multinationals, particularly when many companies are willing to pay a premium to attract the experienced international manager. Yet, while it is widely accepted that the costs of expatriate turnover are considerable, very few firms had introduced formal repatriation programs to assist managers and their families with repatriation difficulties. Similarly, very few companies had introduced mentor systems to check the career progression of the international manager. Many expatriate managers were concerned about losing out on opportunities at home, and, in some companies, this was a constraint on their willingness to go abroad. Clearly, British companies need to give a higher priority to the issue of repatriation in order to encourage international mobility and to help secure an adequate future supply of international managers.

Barriers to international mobility

This section briefly considers the reasons why shortages of international managers are expected to continue. In particular, it examines the growing restrictions on international mobility and their significance for the international capability of the firm.

Over 70 percent of the firms (34 out of 45) reported that they anticipated shortages of international managers over the next five years. There was a growing concern on the part of many firms that the pace of internationalization would further outstrip the supply of international managers. The growing internationalization of European firms and the advent of the Single European Market in 1993 led firms to expect a more international and competitive market for managers and graduates. For example, one financial services corporate HR executive expressed the problem like this: "Attracting and retaining high potential graduates and managers with international experience is vital if we are going to implement our corporate objective of achieving a much stronger presence in Europe. The problem is that the pool of available talent is not growing fast enough to meet demand." The same executive commented: "In the short run, we have to ensure that our reward package becomes internationally competitive, but this will not be

enough. We need to look at new sources of labor supply such as women, host-country managers, third-country nationals and reduce our dependency on expatriates."

The problem of ensuring an adequate supply of international managers is further exacerbated by growing resistance to international mobility. Indeed, it was suggested by twenty-six of the forty-five firms in the sample that individuals were becoming less internationally mobile just when there was a growing need for international managers because of expansion abroad. The reduction in international mobility was attributed to several factors, including continued rationalization in the United Kingdom, which created uncertainties regarding reentry; the growing unwillingness to disrupt the education of children; the growing importance of quality of life considerations; and finally, continued uncertainty regarding international terrorism and political unrest.

Concerns about dual-career problems and disruption to children's education were seen as major barriers to future international mobility by many companies. In the past, working spouses were less common, generally female, and were prepared to follow their partners' career transfers. More frequently now, however, spouses must also leave a job or career in order to follow their partner to the foreign country (Hall and Hall, 1987; Hall and Richter, 1988). The growing significance of the dual-career problem is well illustrated by a quote from the HR corporate executive of a large oil company: "Nowadays families are less willing to disrupt personal and social lives even where they accept that international experience will enhance the manager's career prospects."

And a banking HR executive described the problem in these words: "More and more women have careers and not just jobs. For many it would be impossible to continue their careers in a foreign country. Increasingly international mobility is limited by the dual-career factor. Also we need to recognise that dual-career problems can seriously affect career development plans for our international managers."

Two further restrictions on international mobility are illustrated by the following quote from an HR executive in a chemical firm: "It's becoming more common for offers of foreign assignments to be rejected because the location does not appeal to the family, and when managers are willing to go abroad, they are much more demanding about all aspects of the remuneration package."

The above discussion would suggest that restrictions on international mobility appear to be growing just at the time when the need for

international mobility is becoming vital for the internationalization of U.K. business. Indeed, the problem of international mobility could emerge as a key factor in determining the international capability of a firm.

The Single European Market—The HRM challenges

In the present study, companies were asked to identify the main HRM challenges they faced arising from the advent of the Single European Market. Eighty percent (36 out of 45) of firms felt that the main challenge was to secure an adequate supply of international managers. A majority of firms said they needed to upgrade management skills and competences in order to compete effectively in Europe, and many companies were concerned about the poaching of graduates and managers by firms based in continental Europe.

Over 70 percent of companies (33 of 45) identified recruitment as a priority area. It was felt that the Single European Market would intensify competition for labor, increase the mobility of labor, and augment pressure on U.K. salaries. While some companies identified a number of positive opportunities presented by 1992—namely, an increase in opportunity to recruit labor and management from other European countries—the majority of firms felt there would be a net loss of staff to continental Europe. A small minority of companies were seeking to develop a pan-European approach to recruitment, but they were facing many practical problems such as which journals to advertise in and which qualifications to seek. In addition, there is a problem of the profile of a company abroad, because a company that is well known in the United Kingdom may be much less well known in other countries.

The need to develop a more international top management team to reflect the growing international nature of the business was increasingly recognized as a major challenge because, at the present time, very few British companies can claim to have a truly international top management team. Similarly, a growing concern was the need to assess what new knowledge, skills, and competencies are required to operate effectively in the internal European market (Bourmois, 1992; Burnois and Chaucaut, 1990). There was also growing anxiety about the managerial skills and competencies needed to deal with the complex HRM issues and problems associated with the growth of international joint ventures (e.g., the evaluation and promotion of managers and the

problem of conflict of loyalty of managers to the joint venture or to the parent companies—Schuler et al., 1991; Schuler and Sluijs, 1992).

There was also a growing recognition by the companies of the need to understand the importance of cultural differences within Europe. This is particularly interesting in the light of the finding that only a very small minority (3 out of 45) of companies currently use cross-cultural training to help prepare managers for international transfer within Europe. By contrast, it was much more common for firms to provide cultural training for transfers to countries in the Far and Middle East, where the culture gap was seen to be greater. Specialist external courses were often used but not for international transfers within Europe.

The above discussion suggests that the most formidable task facing British companies wishing to operate across Europe is the recruitment and development of a cadre of managers and executives who understand and can operate effectively in the international environment. In practice, the impact of the Single European Market on human resource management strategy varied according to the stage of internationalization and the overall strategy of the firm. Most multinational firms traditionally pass through various stages of internationalization between the evolution from a domestic to a truly global organization (Negandhi, 1988).

For some well-established international firms, the Single European Market intensifies and sharpens the focus of problems associated with internationalization, rather than creating new problems. A small number of highly internationalized businesses that regarded themselves as transnationals (companies with the ability to manage across national boundaries, retaining local flexibility while achieving global integration) (Bartlett and Ghoshal, 1989) felt the nature of the HR challenge of 1992 would be marginal rather than central. Such companies (e.g., the oil companies) tended to see pan-European recruitment and language training initiatives as a response to the single market, but they stressed that fundamental issues such as the supply of managers and management development should be related to the broader international strategy of the business rather than to the Single European Market alone.

The single market did, however, represent a major HR challenge for "new" international firms that had internationalized in the recent past, and for firms that were significantly shifting the focus of their international activities towards Europe. International human resource management strategy, like human resource management strategy generally,

must be linked to the strategic evolution of the firm. This article has highlighted some of the HRM issues and challenges that such firms will face as they undergo the internationalization process. It also suggests that, for British international firms, the recruitment and development of international managers will be the key challenge of the 1990s.

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SALLY STEWART AND PAULA DELISLE

Hong Kong Expatriates in the People's Republic of China

Multinational and transnational corporations have been faced with an increased requirement for overseas staff in most areas, but this article concentrates on the special case of Hong Kong employees stationed in the People's Republic of China (PRC). They differ in many ways from what is usually thought of as "expatriates," since they may be Cantonese from Hong Kong working no more than thirty miles from their homes, in which case their "culture shock" is probably more akin to that felt by a Londoner posted to Dublin than to that experienced by, for instance, an American family relocated to Hong Kong. The problem is reduced dramatically if the move is to a nearby Southern Chinese town where language, food, and customs are familiar and the distance from home small.

But the rice-eating Cantonese from Hong Kong is very much an expatriate when moved 2,000 miles to North China to establish a base among wheat-eating, Mandarin-speaking northerners in a socialist state. They may be living thousands of miles from Hong Kong in totally different language territory.

In any case, all will be living under a foreign jurisdiction—and in many cases without the protection of consular officers. For all these reasons, they usually receive the extra allowances and other benefits normally granted to expatriates living outside their home country.

The Hong Kong contingent in the PRC

The number of people from Hong Kong working as expatriates in the People's Republic of China appears as difficult to calculate exactly as

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Scullion, H. (1992a). Key Issues in International Recruitment and Development. The British Perspective. The Management Development Journal of Singapore, 3(1): 37-46.

KEY ISSUES IN INTERNATIONAL RECRUITMENT AND DEVELOPMENT : THE BRITISH PERSPECTIVE

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ABSTRACT

This article is an explanatory study from the British perspective on the challenges that surround the recruitment and development of international managers that can operate effectively in a global market environment. All these challenges to make and mould the so-called international manager, the author argues, may very well point to one important strategic direction for Human Resource Management in 1992 and beyond.

INTRODUCTION

A recent survey of four hundred and forty European firms claimed that a shortage of international managers is the greatest factor hampering corporate efforts to expand abroad (see International Management, vol. 1, 11). Almost one third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation. The survey showed that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers.

My present study of forty-five firms also identified shortages of international managers as a particularly acute problem for British and Irish multinational companies. This article will examine the difficulties companies face in recruiting international managers and their responses to the problem. It will also consider the nature of the Human Resource Management challenges facing companies in the light of the internal European market in 1992.

THE STUDY ON INTERNATIONAL RECRUITMENT AND STAFFING

Two-thirds of the companies (30 out of 45) said they had experienced shortages of international managers and almost 70% indicated that future shortages were anticipated. General shortages of experienced and capable international managers had become more acute over the past five years. The reasons given by the companies for shortages of international managers are outlined in the table on the next page.

Reasons for Shortages of International Managers

1. The faster pace of internationalisation
2. Shortages of specialists in particular functional areas
3. Shortages of Host Country Managers in particular countries (eg. Spain)
4. Greater competition to attract high potential graduates
5. The growing barriers to international mobility
6. Problems of turnover among Host Country National managers
7. Failure to develop Third Country and Host Country National managers
8. Problems of graduate turnover (after 3-5 years)
9. An unwillingness to use external recruitment to fill management positions abroad
10. Shortages of managers with languages skills

While the faster pace of internationalisation is the primary reason for shortages, the findings suggest that failures to effectively recruit, retain and develop Host Country Managers is another key reason to explain why shortages exist. A number of factors make the recruitment of Host Country Managers more difficult and costly as compared to recruiting in the home country. These include the following:

- * lack of knowledge of local labour markets
- * ignorance of the local education system and the status of qualifications
- * language and cultural problems at interviews
- * trying to transfer recruitment methods which work well in the UK to foreign countries

For many UK companies most of the focus on training and development is still geared towards expatriates. Many have tended to neglect the training and development needs of their Host Country Managers and this has resulted in expatriates staying in charge longer than planned as Host Country National managers are judged "not yet ready to take over the reins".

One of the key objectives of management training for Host Country Nationals and Third Country Nationals is obviously to develop managers to effectively motivate and develop employees in their own countries. This is considerably more difficult and costly than developing managers in the home country. An important lesson to be drawn from the experience of UK companies is the need to avoid the mistake of simply exporting parent-country training and development programmes to other countries. Training and Development programmes for Host Country and Third Country nationals must be culturally adapted to meet local conditions.

Further, the management development programmes for Host Country and Third Country nationals need to be linked to the strategic situation in each country as well as to the overall strategy of the firm. This need to take account of a variety of foreign product market situations superimposed upon the overall strategic thrust of the firm adds considerably to the complexity of devising appropriate management development programmes.

Until very recently, one failing of most companies was the inability to see the need to develop the Host Country Managers beyond the level of senior manager in his/her own country. There were few opportunities of developmental experience in headquarters or for assignments in other countries. This contributed to many companies failing to attract and retain high potential Host Country national managers and to encourage them to identify with the local unit rather than the corporate level. Partly as a result of this, poaching of Host country managers was felt to be an increasing problem for many British multinationals, particularly in countries which faced acute shortages of qualified managers.

In addition to providing training which specifically seeks to develop Host Country Managers to manage effectively in their own countries, a growing number of British MNCs are now however seeking to develop their Host Country Managers through developmental transfers to corporate headquarters. This type of international transfer exposes Host Country Nationals and Third Country nationals to the headquarters corporate culture and facilitates their development of a corporate perspective rather than simply reflecting their own local interests.

It has also been argued that this approach to development can be very effective in helping to develop global management teams and a necessary part of successfully operating a truly global firm (Dowling and Schuler, 1990). My research indicated however that, a majority of British companies are still failing to recognise the need to develop high potential Host Country national managers beyond the opportunities which exist in their own countries and this exacerbates the problem of attracting and retaining high potential young managers in the host countries.

FUTURE SHORTAGES

Over 75% of the firms said they anticipated shortages of international managers over the next five year period. There was a growing concern on the part of many firms that the pace of internationalisation would further outstrip the supply of international managers. The demographic time-bomb, the growing internationalisation of European firms, and the advent of the internal market in 1992, leads firms to expect a more international and competitive market for managers and graduates.

A number of companies felt that UK firms faced particular problems here because UK managerial salary levels were still un-competitive by comparison with continental Europe, despite the significant increase in pay enjoyed by UK executives in recent years. One Financial Services Corporate HR Executive expressed the problem like this:

"attracting and retaining high-potential graduates and managers with international experience is vital if we are going to implement our corporate objective of achieving a much stronger presence in Europe. The problem is that the pool of available talent is not growing fast enough to meet demand."

The same Executive commented:

"In the short run we have to ensure that our reward package becomes internationally competitive, but this will not be enough. We need to look at new sources of labour supply such as women host country managers, third-country nationals and reduce our dependency on expatriates."

The problem of ensuring an adequate supply of international managers is further exacerbated by growing resistance to international mobility. Indeed it was argued by many firms that individuals were becoming less internationally mobile just at the time when there was a growing need for international managers because of expansion abroad.

The reduction in international mobility was attributed to several factors including continued rationalisation in the UK which created uncertainties regarding re-entry, the growing unwillingness to disrupt the education of children; the growing importance of quality of life considerations, and finally, continued global uncertainty regarding international terrorism and political unrest.

Indeed concerns about dual career problems and disruption to children's education were seen as major barriers to future international mobility by many companies. In the past, working spouses were less common and generally females, were prepared to follow their partners' career transfers. More and more frequently however, spouses must also leave a job or career in order to follow their partner to the foreign country. The growing significance of the dual career problem is well illustrated by a quote from the HR corporate executive of a large oil company.

"Nowadays families are less willing to disrupt personal and social lives even where they accept that international experience will enhance the manager's career prospects."

And a banking HR executive described the problem in these words:

"More and more women have careers and not just jobs. For many, it would be impossible to continue their careers in a foreign country. Increasingly international mobility is limited by the dual-career factor. Also we need to recognise that dual-career problems can seriously affect career development plans for our international managers"

Two further restrictions on international mobility are illustrated by the following quote from an HR executive of a chemical firm.

"It's becoming more common for offers of foreign assignments to be rejected because the location does not appeal to the family and when managers are willing to go abroad they are much more demanding about all aspects of the remuneration package."

The above discussion would suggest that restrictions on international mobility appear to be growing just at the time when the need for international mobility is becoming vital for the internationalisation of UK business. Indeed the problem of international mobility could emerge as a key factor in determining the international capability of a firm.

RESPONSES TO THE SHORTAGES OF INTERNATIONAL MANAGERS

Developmental Objectives. Many companies are responding to the shortage of international managers by attempting to identify managers of high potential at an earlier stage in their career and by giving them international experience at a much younger age. Over one third of the companies said that they were sending young managers of high potential on international assignments partly for developmental purposes. This is in sharp contrast to the previous practice when many MNCs relied on developing a cadre of career expatriates who moved from one international position to the next. The trends towards giving younger managers the opportunity for international experience earlier in their careers is part of a more general trend to give this kind of experience to many levels of managers and not just to a relatively small group of expatriates. Increasing numbers of international firms are using short term developmental assignments in order to develop larger pools of employees with international experience.

External Recruitment. Another significant response is the rapid growth in importance of external recruitment to fill management positions abroad. Until fairly recently the majority of firms have relied almost exclusively on internal recruitment for foreign management positions. British MNCs traditionally had a strong preference for well-known track records and their loyalty to the company was proven.

Over a quarter of the firms in the study had, in the past five years, introduced external recruitment to fill management positions abroad and many others were planning to do so. Financial services companies are a good example of this. Some of the companies had rapidly internationalised relatively recently and felt they had to recruit externally at senior level to establish their foreign operations. A third response to the shortages of international managers is that a number of companies are seeking to sell themselves more effectively to graduates through various types of marketing designed to highlight the international nature of their activities (eg. in graduate recruitment brochures and in national press advertising). This highlights the prospects of early international experience to attract graduates seeking an international career. This can be illustrated by the example of the two textile companies which had a policy of sending young graduates on international assignments within three or six months of joining the firm. This policy was very effective and was designed specifically to recruit high potential young graduates who were particularly interested in an international career.

The corporate human resources director of one of the textile companies commented:

"Textiles is not a particularly fashionable industry. We are competing for the best graduates with companies who enjoy a more glamorous image. The fact that we can offer the opportunity of very early international experience is the main reason we can attract some high potential graduates when the big guns, such as Shell, BP, and ICI, are fishing in the same pool."

A number of companies are also broadening their sources of graduate recruitment to include some continental European countries and this reflected their anticipation of a growth in the competition for high potential graduates following the advent of the internal market in 1992.

Management Development Programmes. A small number of companies have introduced Euro-graduate management development programmes. Take for example a computer firm which recruited graduates from several European countries for a two year period of training and development in the UK. On the completion of their training graduates were transferred to a management position in a third country. The need to develop more flexible succession planning and career planning to accommodate Euro-graduates and Euro high flyers was recognised by this type of firm.

There is also growing recognition of the importance of developing effective international management development programmes to help secure an adequate supply of international managers. The majority of firms said they were spending more money and time on international management education, particularly for top and senior managements, are using a combination of internal and external international management development programmes. One interesting feature of these programmes is that teachers frequently come from prestigious foreign business schools in Europe and the USA, as well as from internal sources. But, perhaps surprisingly, only a minority of firms said they had effective systems for evaluating their international management development programmes.

Language Training. The introduction of language training for top, senior and middle levels of management by the majority of companies in the study was seen as an important development in the light of acute shortage of international managers with language skills. This suggests that the importance of language training is increasingly being recognised by British multinationals. This finding is in sharp contrast with an American study which found that less than one third of US MNCs felt that knowledge of foreign languages was necessary for conducting business abroad (see Baker, 1984). The British firms felt that language training increased the effectiveness of staff working abroad and helped them relate more easily to a foreign culture. A number of companies also felt that it promoted a better image of the MNC in the host country. Increasingly therefore it was recognised that the ability to speak a foreign language can improve the expatriate's overall effectiveness.

A smaller number of companies had recently introduced changes in their graduate selection criteria. Some companies were recruiting a higher percentage of modern language graduates than previously, and many others were discriminating in favour of graduates with some language ability.

Issue of Women in International Management. There were two areas, however, where the companies were clearly doing little to ease the acute shortage of international managers. First, there was no evidence that British Multinationals were taking serious steps to increase the proportion of women in international management. International management has been a masculine preserve in Europe and the US. Adler's (1984) study estimates that under 3% of North American expatriates are female. In my study no company claimed to have more than 3% female expatriates. Indeed, the evidence suggests that women in British multinationals are not making as much progress in international management as women in American multinationals. For example, in the US banking and financial sector there has been a significant increase in female expatriates in recent years. The under-representation of women in international management is illustrated by a quote from a woman HR executive of a UK pharmaceutical company:

"In the UK, the majority of marketing staff are women. By contrast, in our foreign operations, the vast majority of marketing staff are male. Companies still tend to shy away from using female expatriates because of fears that women will not be accepted in some countries and the major problem of disrupting the career of their partner."

The lack of willingness to recruit and develop women as international managers is worrying as recent research suggests that, in many ways, women are better suited to international management positions than men. That research suggests that women are more sensitive to cultural differences and are therefore able to work more effectively with managers from other countries (see The Quest for the International Manager, 1991).

It is often argued that women are better team workers than men, and women have a number of qualities which make them particularly well suited for international management positions, and especially well suited for international joint ventures where cultural sensitivity and team working are vital. In practice few firms were actively taking

steps to develop international career opportunities for women. Clearly firms could reduce their shortage of international managers and improve the quality of international management by opening up career opportunities for women.

Issues of Repatriation. The second area which impacts on the supply of internationalists is the failure by many companies to adequately address repatriation problems. The repatriation of managers has been identified as a major problem for multinational companies in the UK and North America. Over 70% of the firms in the present study said they faced significant problems regarding re-entry and it was recognised that this may lead to low morale and a higher turnover of expatriates. For example, only 5% of firms claimed that repatriates had no difficulty re-integrating into the UK organisation.

A key problem for the majority of companies is finding suitable posts of similar status and responsibility to those they held abroad. For many UK MNCs this problem has become more acute in recent years because for many of the companies, expansion of overseas operations has taken place at the same time as the rationalisation of UK operations, thereby reducing the number of senior posts in the UK. Other problems associated with re-integrating into the UK, are loss of status, loss of autonomy, loss of career direction and a feeling that international experience is undervalued by the company.

Further, there is growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry, managers will be more reluctant to accept the offer of international assignments. Research by Adler (1986) in North America indicates that 20% of all managers who complete foreign assignments wish to leave their company on return. This is a growing problem for UK multinationals, particularly when many companies are willing to pay a premium to attract the experienced international manager. Yet while it is widely accepted that the costs of expatriate turnover are considerable, very few firms have introduced formal repatriation programmes to assist managers and their families with repatriation difficulties. Similarly, very few companies have introduced mentor systems to check the career progression of the international manager. Many expatriate managers are concerned about losing out on opportunities at home, and in some companies, this acts as a constraint on their willingness to go abroad. Clearly UK companies need to give a higher priority to the issue of repatriation in order to encourage international mobility and to help secure an adequate future supply of international managers.

THE HRM CHALLENGES IN 1991

In the present study, companies were asked to identify the main HRM challenges they faced arising from the advent of the internal market in 1992. Eighty percent of firms felt that the main challenge was to secure an adequate supply of international managers. A majority of firms said they needed to upgrade management skills and competences in order to compete effectively in Europe and many companies were concerned about the poaching of graduates and managers by firms based in Continental Europe.

Over 70% of companies identified recruitment as a priority area. It was felt that the single European market would intensify competition for labour, increase mobility of labour and increase pressure on UK salaries. While some companies identified a number of positive opportunities presented by 1992, namely an increase in opportunity to recruit labour and management from other European countries, the majority of firms felt there would be a net loss of staff to continental Europe.

Some companies were seeking to develop a pan-European approach to recruitment but were facing many practical problems such as which journals to advertise in and which qualifications to ask for. In addition, there is a problem of the profile of a company abroad because a company which is well-known in the UK may be much less well known abroad.

Many firms saw the need to develop a more international top management team to reflect the growing international nature of the business. This was recognised as a major challenge because, at the present time, only a tiny minority of British companies could claim to have a truly international top management team. Similarly many firms identified the need to assess what new knowledge, skills and competences are required to operate effectively in the internal market. Also, many companies were anxious about the managerial skills and competences needed to deal with the complex HRM issues and problems associated with the growth of international joint ventures, for example, the evaluation and promotion of managers and the problem of conflict of loyalty of managers to the joint venture or to the parent companies.

There was also a growing recognition by the companies of the need to understand the importance of cultural differences within Europe. This is particularly interesting in the light of the finding that only a very small minority of companies currently use cross-cultural training to help prepare managers for international transfer within Europe. By contrast, it was much more common for firms to provide cultural training for transfers to countries in the Far and Middle East, where the culture gap was seen to be greater. Specialist external courses were often used but not for international transfers within Europe.

CONCLUSION

The above discussion suggests that the most formidable task facing many British multinational firms is the recruitment and development of a cadre of managers and executives who understand and can operate effectively in the global market environment.

In practice the impact of "1992" on human resource management strategy varied according to the stage of internationalisation and the overall strategy of the firm. Most multinational firms traditionally pass through various stages of internationalisation between the evolution from a domestic to a truly global organisation.

For some well established international firms, "1992" intensifies and sharpens the focus of problems associated with internationalisation rather than creates new problems. A small number of highly internationalised businesses who regarded themselves as

transnationals (companies with the ability to manage across national boundaries, and retaining local flexibility while achieving global integration) felt the nature of the HR challenge of 1992 would be marginal rather than central. Such companies (eg. the oil companies) tended to see pan-European recruitment and language training initiatives as a response to 1992. However, they stressed that fundamental issues such as the supply of managers and other management development issues should be related to the broader international strategy of the business rather than to "1992".

"1992" does, however, represent a major HR challenge for some "new" international firms who have internationalised in the recent past and for some firms who were significantly shifting the focus of their international activities towards Europe. International human resource management strategy, like human resource management strategy generally must be linked to the strategic evolution of the firm. This article has highlighted some of the HRM issues and challenges which such firms will face as they undergo the internationalisation process. It suggests that, for British multinational firms, the recruitment and development of international managers will be the key challenge of the 1990's.

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STRATEGIC RECRUITMENT AND DEVELOPMENT OF THE 'INTERNATIONAL MANAGER': SOME EUROPEAN CONSIDERATIONS

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INTRODUCTION

It is increasingly recognised that the effective management of human resources should be a major goal of organisations, whether international or domestic. In the international arena, however, the quality of management seems to be even more critical than in domestic operations (Dowling and Schuler, 1990:6-11; Tung, 1984:129). This is primarily because the nature of international business operations involves the extra complexities of operating in different countries and employing different national categories of workers (Morgan, 1986:44). Yet while it is recognised that HRM problems become more complex in the international arena there is evidence to suggest that many companies underestimate the complexities involved in international operations. There is also some evidence to suggest that business failures in the international arena may often be linked to poor management of human resources (Desatnick and Bennett, 1978).

Although effective international human resource management is increasingly being recognised as a major determinant of success or failure in international business (Tung, 1984), in practice many organisations are still coming to terms with the human resource issues associated with international operations (Dowling, 1986). Moreover, the field of international human resource management is only slowly developing as a field of academic study and has recently been described by one authority as being in the infancy stage (Laurent, 1986:91). There is relatively little empirical research which documents the international HRM strategies and practices of international firms - particularly firms which have their headquarters outside North America.

This article reports some of the findings from a recent study of international human resource management in British and Irish based international firms. One particular feature of the study was the exclusive focus on managing managers. Particular emphasis is placed on three key issues in the area of international human resource management: international staffing, international recruitment, and the variety of issues surrounding the problem of shortages of international managers. It will also briefly consider the nature of the human resource management challenges facing companies in the light of the internal European market.

A study of how companies deal with the international human resource management issues outlined above is particularly appropriate for the following reasons. First, the international staffing process is of considerable importance to an international firm .

Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving this problem, I am confident we can cope with all others. (Duerr, 1968:43).

The staffing problems facing international firms are more complex than in domestic firms and inappropriate staffing policies may lead to difficulties in managing overseas operations. The international literature indicates that expatriate failure is a persistent and recurring problem, particularly for US multinationals (Mendenhall and Oddou, 1985; Desatnick and Bennett, 1978; Tung, 1981). Will this also hold true for Europe? Frequently the human and financial costs of failure in the international business arena are more severe than in domestic business. In particular, indirect costs such as loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai, 1984).

Second, shortages of international managers are becoming an increasing problem for international firms. A recent survey of 440 executives in European firms claimed that a shortage of international managers was the single most important factor constraining corporate efforts to expand abroad. Almost one-third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation (*International Management*, 1986). The findings of the survey suggest that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers (Hamill, 1989:18).

Third, there is little empirical research on the international human resource management issues associated with the management of managers in British and Irish international firms, especially when contrasted with the considerable amount available on international human resource management in US firms.

Finally, the advent of the internal European market and the rapid growth of British direct investment abroad since the early 1980s mean that issues of international staffing, recruitment and development are increasingly important concerns in a far wider range of organisations than the traditional giant multinationals. International human resource management problems are becoming ever more important for a growing number of smaller and medium sized companies who have significantly internationalised their operations in recent years.

RESEARCH METHODOLOGY AND SAMPLE

The principal research method was structured interviews with each company's corporate personnel or human resources director or alternatively with a senior corporate HR executive. The duration of interviews varied from two to three and a half hours. During each interview information was sought on company structure and international operations. The interviewer also asked questions concerning international staffing, expatriate performance, international HRM policies and international management development.

These questions were adapted from a study by Tung (1981) and through consultation with a number of international HRM practitioners. The purpose of the questions was to provide a structured basis for each interview and responses to questions were noted by the interviewer. Interviewees were not asked to fill in a questionnaire. Additional information was obtained from company reports, company documents such as international personnel policies, and newspaper articles.

Forty-five international companies participated in the study, forty of them UK-owned and five Irish-owned. The sample was specifically chosen to include companies from both the manufacturing and the service sector. Twenty-six companies in the study were primarily

manufacturing firms and sixteen were service sector firms. Two oil companies and one mining company also participated. The size of the companies in this international firm sample ranges from medium to very large. The total number of employees ranges from 9,500 to 240,000. The smaller size of the Irish international firms and their relatively recent internationalisation were two principal reasons for their inclusion in the study. For the sample as a whole there was a wider range in the number of countries the companies operated in and in the length of time of international operations.

INTERNATIONAL STAFFING POLICIES AND PRACTICES

International firms face three alternatives with respect to the staffing of management positions abroad: the employment of parent country nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs). Much of the existing research focuses on the advantages and disadvantages of using expatriates as opposed to local managers, and identifies a range of host country, company and individual factors as important in international staffing decisions. Most studies are, however, largely inconclusive on the question of when parent country nationals should be sent abroad (Boyacigiller, 1990).

The findings of the present study on staffing practices in UK and Irish international firms reveal that a majority of the companies continued to rely heavily on expatriates to run their foreign operations. The research findings showed that while almost 50 per cent of companies had formal policies which favoured using host country managers to run their foreign operations, in practice just over a third operated with host country nationals in senior management positions in their foreign operations. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations. Furthermore, the trend has moved in the direction of greater use of expatriates. Half of the companies in the sample (22 out of 45) reported an increase in the use of expatriates over the previous decade and only 20 per cent indicated that they had reduced their use of expatriates. The remainder reported no significant change.

These findings raise serious questions about the ability and commitment of some British multinationals to identify and develop host country managers in their foreign operations. Therefore the recruitment, selection and development of host country managers emerges as a vital issue for British and Irish multinationals, given the need to develop global teams with a variety of different perspectives and competencies. The findings also reveal sharp differences from American experience. Indeed, recent work by Kobrin suggested that the tendency of American multinationals to reduce the numbers of expatriates had gone too far. He argued that American firms have tended to substitute host country nationals to replace expatriates primarily in response to the difficulties American managers have experienced in adjusting to other cultural environments (Kobrin, 1988:66).

Kobrin recognised that increased use of host country managers may in part reflect the cost of maintaining expatriates abroad, the greater sensitivity of local managers to local culture and local market needs, and the growing international maturity of some multinationals. It is suggested, however, that expatriate reduction may result in American multinationals facing reduced identification with the worldwide organisation and its objectives, difficulties in exercising control, and a lack of opportunities for American managers to gain international experience abroad. The principal concern is that American multinationals could face

major strategic management control problems where managers identified with local units rather than with global corporate objectives (Kobrin, 1988:68-73).

The present study identified a number of principal reasons for employing expatriates. The first was the lack of availability of management and technical skills in some countries. There was a greater tendency for companies to use expatriates in less developed countries due to the weak pool of available local management talent. This was also true for those companies who used host country managers to run their foreign operations in advanced countries.

The second major reason cited for using expatriates was the objective of control of local operations. Thirty-three out of 45 firms in the present study identified control as a key reason for their use of expatriates. Expatriates were felt to be more familiar with the corporate culture and the control system of headquarters, and this was felt to result in more effective communication and co-ordination. Indeed, a key role for senior expatriates was to train local managers to understand corporate financial and control systems. This point is illustrated by the following comment from the human resource director of a financial services company:

The main advantage of using expatriates is that they understand our (corporate) culture and reporting systems and they teach the locals how to relate to the centre. This is vital when you are establishing a new foreign business.

This finding on the importance of control is consistent with previous research on European multinationals which shows control to be an important reason for expatriate transfers (Torbiorn, 1985; Brewster, 1988). Yet in earlier research control has only rarely been identified as an important aim of expatriate assignments. This probably reflects the North American origin of much previous research and the tendency of some managers and researchers to view control as a rather disreputable rationale for using expatriates (Brewster, 1991:34).

A further principal reason for using senior expatriates was to maintain trust in key foreign businesses following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquisitions by comparison with greenfield sites (Hamill, 1989:22). The emergence of trust as a major factor is related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s. For example, in the late 1980s a UK brewing and leisure company emerged as one of the world's leading hotel groups following a massive £2 billion acquisition of a global hotel chain. In this example a major reason given for using expatriates to run the acquisition was 'the need to have the peace of mind which comes from having our people running such a large and strategically important investment'. There was often an unwillingness to allow newly acquired foreign businesses to be run by the existing host country national management primarily because they were not known well enough and their loyalty to the business was not proven.

The research also found that using expatriates for management development purposes was important and was increasing in significance for British multinationals. Thirty-four out of 45 companies reported that expatriates were used for development purposes and 25 of these firms claimed that use of expatriates for this purpose was becoming more important. This reflects the tendency of British companies to see expatriation as part of the career development process. In this context, it is interesting to note that in most cases the

management of expatriates was the responsibility of the corporate human resource function. This was the case even in some highly decentralised organisations (eg engineering companies) where the corporate human resource role was rather limited.

One very recent trend identified by the research was the tendency for companies to give younger managers international experience much earlier in their career than previously. Over half of the companies in the sample (26 out of 45 companies) reported significant changes in this respect. This was linked to the growing problems of mobility (spouse's job, children's education, etc.) for older managers. It also reflects the strategy of some companies to broaden the opportunities for international development and the growing recognition in some quarters that the payback on the investment of a developmental assignment may well be greater with a younger manager.

The performance of foreign subsidiaries also emerged as a significant factor influencing the use of expatriates. There was a greater tendency for the companies in the sample to use senior expatriates where the acquired business had been under-performing before the foreign acquisition. Similarly, poor performance by host country managers in the post-acquisition phase was cited as an important reason for them being replaced with expatriates. This is well illustrated by the case of a major UK food and drinks company which made two very large acquisitions in the United States in the late 1980s. The first acquisition was a global drinks business with its headquarters in the United States, and the second was a large US food business. The staffing policy differed sharply in the two acquisitions. In the former case the existing management team (composed entirely of host country managers) continued to run the business. In the words of a corporate HR executive: 'In this case, we inherited an excellent management team who were achieving first-class results. Why change a winning team and upset morale by introducing expatriates?' In the second case, by contrast, the entire US management team was replaced by expatriates, 'mainly due to poor financial results and weak managerial performance'.

Another factor influencing the approach adopted by companies was a strong expectation on the part of major foreign customers (and sometimes foreign governments) that the top managers in their country should be parent country nationals. Thirteen of the 16 international firms in the service sector and a minority of manufacturing firms (6 out of 26) said they had taken this into account in deciding their policy. Public relations and marketing were usually the key roles in this context. Previous research has largely ignored this factor because it has concentrated on the very largest multinationals and tended to neglect the service sector (Brewster, 1991:33). For example, two Irish banks operating in the US felt there were considerable marketing and public relations advantages in using expatriates, given their marketing strategy of targeting the ethnic Irish population. In the banking, insurance and finance areas, British companies reported that in many countries major foreign customers frequently had a strong preference for their senior executives to be British expatriates.

There is also strong evidence from the present research that expatriates are more likely to be used in the early stages of new foreign operations. This is consistent with previous research which shows this practice is common in the early stages of internationalisation where a company is setting up a new business, process or product in another country and prior experience is considered essential (Zeira, 1976). A majority of firms indicated that control and trust were particularly important in the early stages of internationalisation. In

the present study this factor had become more significant due to the rapid growth of international business in the last decade.

Nearly half of the companies (21 out of 45) also cited weaknesses in their training and development of host country national and third country national managers to explain their continued use of expatriates, despite their having a formal policy to replace expatriates with host country managers after the start-up phase. A typical comment in this respect came from a pharmaceutical company: 'The training and development of host country nationals and third country nationals is a major weakness in achieving our objective of localising management in our operating companies.'

SHORTAGES OF INTERNATIONAL MANAGERS

It was argued above that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers. In the present study two-thirds of the companies (30 out of 45) said that they had experienced shortages of international managers and over 70 per cent indicated that future shortages were anticipated. While the faster pace of internationalisation was cited as the primary reason for shortages by 34 out of 45 firms in the sample, over half of them (24) reported that failures to effectively recruit, retain and develop host country managers was another key reason to explain why shortages exist. A number of factors make the recruitment of host country managers more difficult and costly compared with recruiting in the home country. These include lack of knowledge of local labour markets, ignorance of the local education system and the status of qualifications, language and cultural problems at interviews, and trying to transfer recruitment methods which work well in the UK to foreign countries.

Many international firms have tended to neglect the training and development needs of their host country managers and focus virtually all of their managerial development efforts on their parent country nationals (Shaeffer, 1989:29). Twenty-six out of 45 firms in the sample reported that weaknesses in their training and development in respect of host country managers had contributed to shortages of international managers. The failure to develop effectively local managers was frequently given by British multinationals as a reason for continuing to use UK expatriates in similar management positions rather than using local managers. Alternatively, this could be interpreted as something of an excuse for their preference to use expatriates beyond the development phase of international operations.

The present research highlighted three important lessons for those international firms who are seriously attempting to provide management training and development for host country nationals and third country nationals. First is the need to avoid the mistake of simply exporting parent country training and development programmes to other countries. This point is illustrated by the comment from the personnel director of a large chemical firm: 'We have learned from some tough experiences that training and development programmes for local managers must be culturally adapted to local conditions.'

Second, the management development programmes for host country and third country nationals have to be linked to the strategic situation in each country as well as to the overall strategy of the firm. This need to take account of a variety of foreign product market

situations superimposed upon the overall strategic thrust of the firm adds considerably to the complexity of devising appropriate management development programmes.

Third is the need to utilise much further the practice of developing host country managers through developmental transfers to corporate headquarters. It has been argued that this type of international transfer exposes host country and third country nationals to the headquarters corporate culture and facilitates their developing a corporate perspective rather than simply reflecting their own local interests (Dowling and Schuler, 1990:109). It has also been argued that this approach to development can be very effective in helping to create global management teams and is a necessary part of successfully operating a truly global firm (Edstrom and Galbraith, 1977; Prahalad and Doz, 1981). The present research indicated, however, that a majority of British companies were still failing to recognise the need to develop high potential host country national managers beyond the opportunities which exist in their own countries, and this exacerbates the problem of attracting and retaining high potential young managers in the host countries.

RESPONSES TO THE SHORTAGES OF INTERNATIONAL MANAGERS

Nineteen of the 45 companies had responded to the shortage of international managers by attempting to identify managers of high potential at an earlier stage in their career and by giving them international experience at a much younger age. Over one-third of the companies reported that they were sending young managers of high potential on international assignments partly for developmental purposes. This was in sharp contrast to the previous practice when many MNCs relied on developing a cadre of career expatriates who moved from one international position to the next. The trend towards giving younger managers the opportunity for international experience earlier in their careers was often part of a more general trend to give international experience to a wider range of managers and not just to a relatively small group of expatriates. Increasing numbers of international firms were also using short-term developmental assignments in order to develop larger pools of employees with international experience.

Another significant response to the shortage of international managers was the rapid growth in importance of external recruitment to fill management positions abroad. Until a few years ago the majority of firms had relied almost exclusively on internal recruitment for foreign management positions. British MNCs traditionally had a strong preference for established internal managers for expatriate management positions, as they had well known track records and their loyalty to the company was proven. Over a quarter of the firms (13 out of 45) in the study had, in the past five years, introduced external recruitment to fill management positions abroad, and several others were planning to do so. Financial services companies were a good example of this. Some of these companies had rapidly internationalised relatively recently and felt they had to recruit externally at senior level to establish their foreign operations.

A third response to the shortages of international managers by 14 of the 45 companies was to attempt to sell themselves more effectively to graduates through various types of marketing designed to highlight the international nature of their activities (eg in graduate recruitment brochures and in national press advertising). This type of marketing stressed the prospects of early international experience to attract graduates seeking an international

career. It is illustrated by the example of the two textile companies who had a policy of sending young graduates on international assignments within three or six months of joining the firm. This policy was very effective and was designed specifically to recruit high potential young graduates who were particularly interested in an international career. The corporate human resources director of one of the textile companies commented:

Textiles is not a particularly fashionable industry. We are competing for the best graduates with companies who enjoy a more glamorous image. The fact that we can offer the opportunity of very early international experience is the main reason we can attract some high potential graduates when the big guns, such as Shell, BP, and ICI, are fishing in the same pool.

A minority of companies (8 out of 45) were also broadening their sources of graduate recruitment to include some Continental European countries and this reflected their anticipation of a growth in the competition for high potential graduates following the advent of the internal market in 1993. Two computer companies had recently introduced Euro-graduate management development programmes. A feature of these programmes was that graduates were recruited from several European countries for a two-year period of training and development in the UK. On completion of their training, graduates were transferred to a management position in a third country. The need to develop more flexible succession planning systems to support the development of Euro-graduates was identified as an important issue by both firms operating this type of programme.

There was also growing recognition of the importance of developing effective international management development programmes to help secure an adequate supply of international managers. The majority of firms reported that they were spending more money and time on international management education, particularly for top and senior management. These firms were using a combination of internal and external international management development programmes. One interesting feature of these programmes was that teachers frequently came from prestigious foreign business schools in Europe and the USA, as well as from internal sources. But, perhaps surprisingly, only 3 out of the 45 firms claimed they had effective systems for evaluating their international management development programmes.

The introduction of language training for top, senior and middle levels of management by the majority of companies in the study was seen as an important development in the light of the acute shortages of international managers with language skills. This suggests that the importance of language training is increasingly being recognised by British multinationals. This finding is in sharp contrast to studies of American MNCs which found that only a minority of US multinationals felt that knowledge of foreign languages was necessary for conducting business abroad (Baker, 1984; Tung, 1981; Brewster, 1991). Increasingly it was recognised that language training increased the effectiveness of staff working abroad and helped them relate more easily to a foreign culture. There was also a growing awareness that language training promoted a better image of the MNC in the host country.

There were two areas, however, where the companies were clearly failing to take effective action to ease the acute shortage of international managers. First, there was no evidence that British multinationals were taking serious steps to increase the proportion of women in international management. International management has long been a masculine preserve

in Europe and the US. Adler's study estimates that under 3 per cent of North American expatriates are female (Adler, 1984:81). In the present study no company claimed to have more than 3 per cent female expatriates. Indeed, the evidence suggests that women in British multinationals are not making as much progress in international management as women in American multinationals. For example, in the US banking and financial sector there has been a significant increase in female expatriates in recent years (Adler, 1984:83-4). The under-representation of women in international management is illustrated by a quote from a woman HR executive of a UK pharmaceutical company:

In the UK, the majority of marketing staff are women. By contrast, in our foreign operations, the vast majority of marketing staff are male. Companies still tend to shy away from using female expatriates because of fears that women will not be accepted in some countries and the major problem of disrupting the career of their partner.

The lack of willingness to recruit and develop women as international managers is worrying as recent research suggests that, in many ways, women are well suited to international management. This research suggests that women are more sensitive to cultural differences and are therefore more able to work effectively with managers from other countries (Barham and Devine, 1991:24).

The second area which impacts on the supply of internationalists is the failure by many companies to address adequately repatriation problems. The repatriation of managers has been identified as a major problem for multinational companies in the UK and North America (Adler, 1986; Harvey, 1989; Hamill, 1989; Johnston, 1991). Over 70 per cent of the firms (33 out of the 45) in the present study said they faced significant problems regarding re-entry. Furthermore, it was generally recognised that this may lead to low morale and a higher turnover of expatriates. For example, only three of the firms claimed that repatriates had no difficulty reintegrating into the UK organisation. A key problem for the majority of companies was finding suitable posts for repatriates of similar status and responsibility to those they held abroad. For many UK multinationals this problem had become more acute in recent years because expansion of overseas operations had taken place at the same time as the rationalisation of UK operations, thereby reducing the number of senior posts in the UK. Other problems associated with reintegrating into the UK are loss of status, loss of autonomy, loss of career direction and a feeling that international experience is undervalued by the company.

In addition, there was growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry, managers will be more reluctant to accept the offer of international assignments. Research in North America indicates that 20 per cent of all managers who complete foreign assignments wish to leave their company on return (Adler, 1986). This was a growing problem for UK multinationals, particularly when many companies are willing to pay a premium to attract the experienced international manager. Yet while it is widely accepted that the costs of expatriate turnover are considerable, very few firms had introduced formal programmes to assist managers and their families with repatriation difficulties. Similarly, very few companies had introduced mentor systems to check the career progression of the international manager. Many expatriate managers were concerned about losing out on opportunities at home, and in some companies this was a constraint on their willingness to go abroad. Clearly UK companies

cross-cultural training to help prepare managers for international transfers within Europe. By contrast, it was much more common for firms to provide cultural training for transfers to countries in the Far and Middle East, where the culture gap was seen to be greater. Specialist external courses were often used but not for international transfers within Europe.

The above discussion suggests that the most formidable task facing British companies wishing to operate across Europe is the recruitment and development of a cadre of managers and executives who understand and can operate effectively in the international environment. In practice, the impact of '1992' on human resource management strategy varied according to the stage of internationalisation and the overall strategy of the firm. Most multinational firms traditionally pass through various stages of internationalisation in the evolution from a domestic to a truly global organisation.

For some well established international firms, '1992' intensifies and sharpens the focus of problems associated with internationalisation rather than creates new problems. A small number of highly internationalised businesses who regarded themselves as *transnationals* (companies with the ability to manage across national boundaries, retaining local flexibility while achieving global integration) felt the nature of the HR challenge of 1992 would be marginal rather than central. Such firms (eg the oil companies) tended to see pan-European recruitment and language training initiatives as a response to 1992, but they stressed that fundamental issues such as the supply of managers and management development issues should be related to the broader international strategy of the business rather than to '1992'.

'1992' did, however, represent a major HR challenge for 'new' international firms who had internationalised in the recent past and for firms who were significantly shifting the focus of their international activities towards Europe. International human resource management strategy, like human resource management strategy generally, must be linked to the strategic evolution of the firm. This article has highlighted some of the HRM issues and challenges which such firms will face as they undergo the internationalisation process. It also suggests that, for British international firms, the recruitment and development of international managers will be the key challenge of the 1990s.

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BOOK CHAPTERS

Scullion, H. (1996). Staffing Policy and Practice in an International Food and Drink Company, in J. Storey, ed. Blackwell Cases in Human Resource and Change Management, Routledge, London, 356-364.

Food and Drink International

International staffing: policy and practice

HUGH SCULLION

During the 1990s there was a surge of interest in international human resource management (HRM). This can be explained by the rapid increase in global activity and global competition and the growing recognition that the effective management of human resources internationally is a major source of competitive advantage in international business (Dowling et al., 1994). Also, there is evidence that many companies underestimate the complex nature of HRM problems in international business (Tung, 1984).

The particular focus of this case study is on the key issue of international staffing. One feature of the case was the exclusive focus on managing 'international managers'. The main theme of the case is to illustrate the key influences on international staffing decisions. In particular the case explores the links between international staffing and the international evolution of the firm.

A case study dealing with international staffing is appropriate for the following reasons:

- 1 The international staffing process is of considerable importance to an international firm. 'Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving this problem, I am confident we can cope with all others' (Duerr, 1968 p. 43).

- 2 The staffing problems facing international firms are more complex than in domestic firms and inappropriate staffing policies may lead to difficulties in managing overseas operations (Tung, 1984).
- 3 The international literature indicates that expatriate failure continues to be a problem for many international firms and that business failures in the international arena may often be linked to poor staffing decisions (Dowling et al., 1994).
- 4 Shortages of international managers are becoming an increasing problem for international firms and recent research suggests that the successful implementation of global strategies depends to a large extent on the existence of an adequate supply of internationally experienced managers (Scullion, 1993).
- 5 The advent of the Single European Market and the rapid growth of British direct investment abroad since the early 1980s mean that issues of international staffing are increasingly important concerns in a far wider range of organizations than the traditional multinationals.

Organizational Setting

Food and Drink International (FDI) is a UK-owned international food and drinks group. In the mid 1990s the group employed over 160,000 people world-wide, of whom approximately 100,000 (60 per cent) were employed outside the UK. Food and Drink International concentrates its activities in Western Europe, North America, Japan and the Far East. Yet in the late 1970s FDI was basically a UK organization with relatively few international activities. The rapid growth of foreign employment in FDI reflects the rapid and successful internationalization of the group's activities and the development of the group as a leading competitor in world markets.

Wholly-owned subsidiaries (foreign direct investment) had been the principal form of the group's involvement abroad but more recently there has been a significant growth in international joint ventures and strategic alliances due primarily to the globalization of the drinks industry.

When the group was founded in the early 1960s it was run very successfully by entrepreneurs as totally disparate businesses. There was little strategic synergy between the businesses. The company gained a reputation as a buy-and-sell company and, in the absence of a strategic approach, acquisitions were made on the basis of sound underlying property values.

In the early 1980s a more structured approach to business emerged. A new strategic approach developed which had several key elements:

- 1 'The group would seek to develop through organic and acquisitive growth.
- 2 'There would be a focus on high-quality businesses.
- 3 'The group would seek to internationalize in related market areas (food and drink) primarily through acquisitions in the United States and Europe.
- 4 'The strategy was to achieve a more even spread of earnings across the major geographical areas (the UK, the US and the rest of the world).

While the group continued to operate in a highly decentralized way the new strategic approach of the early 1980s was in sharp contrast to the approach of the late 1970s when the group comprised a series of stand-alone companies and was still basically a highly decentralized holding company.

'The late 1980s saw a further major development in the international business strategy of Food and Drink International. 'The group made several acquisitions of giant food and drink businesses in the United States and Europe. As a result of these acquisitions the international character of the group was fundamentally altered and for the first time in their history the group had more business (by turnover) and profit in the US than in the UK.

'These changes reflected a further development of the group's internationalization strategy. 'The strategy of Food and Drink International was now to become a global company in order to compete effectively in industries which were increasingly becoming global in character. In the late 1980s the global drinks industry was consolidating into four major global players. The rationale behind the strategy of acquiring large US drinks companies was to acquire the global brands which came with them. In the global drinks industry of the late 1980s and early 1990s, global competitive advantage was gained either by acquiring global brands or securing control of distribution on an international basis. 'The strategic motivation underlying the acquisition of a very large US international food company in 1988 by Food and Drink International was primarily to give the group 'critical mass' in the world foods market and control over some of the strongest brands in the world's richest food market.

Currently, Food and Drink International has an established strategic focus as an international food and drinks group, and recent acquisitions and divestments reflect this strategy. 'The international brand marketing skills are seen as a major source of competitive advantage for the group and as key to strengthening the position of global brand leaders and other brands in the group's portfolio.

International Staffing Policy and Practice

International firms face three alternatives with respect to the staffing of management positions abroad: the employment of parent country nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs). In the 1970s in the early stages of the internationalization of Food and Drink International, the staffing policy of the group was largely ethnocentric in character (all key positions at the centre and locally being filled by parent company nationals). This approach is relatively common in the early stage of internationalization where a company is setting up a new business process or product in another country and knowledge of the company's culture and reporting systems is considered essential (Zeira, 1976).

International staffing policy, like HRM strategy generally, however, must be linked to the strategic evolution of the firm (Schuler et al., 1993). As Food and Drink International moved beyond the early phase of internationalization and adapted a highly decentralized approach to international business operations a number of the disadvantages of an ethnocentric approach became increasingly significant.

- 1 'The effective adaptation of PCNs to some host countries frequently took longer than anticipated.
- 2 'There were limited promotion and development opportunities for local managers. 'This made it more difficult to attract and motivate high-calibre local staff.
- 3 Problems sometimes emerged when PCN and HCN compensation packages were compared.

Given the disadvantages of an ethnocentric staffing policy outlined above and the highly decentralized approach adopted by Food and Drink International, it is not surprising that the firm shifted towards a polycentric staffing policy (which is one where HCNs are recruited to manage subsidiaries in their own country and PCNs occupy senior positions in corporate headquarters).

Food and Drink International identified a number of advantages of operating with a polycentric approach which are consistent with findings in the literature (Dowling et al., 1994):

- 1 It removed the adjustment problems of expatriates and their families.
- 2 Local managers were more sensitive to local culture and local market trends.

- 3 Host country national managers generally cost less than parent company nationals.
- 4 A polycentric approach allowed greater continuity of management within the foreign subsidiaries.
- 5 A polycentric approach was a better fit with the highly decentralized business approach.
- 6 This approach enhanced the ability of the group to recruit, motivate and develop local staff.

Yet while Food and Drink International adopted a formal staffing policy which favoured using host-country managers to run their foreign operations, in *practice* there had been a very significant increase in the use of expatriates to run their foreign operations. The explanation of this paradox is at the heart of the case study.

There were a number of principal reasons given by Food and Drink International to explain their increased use of expatriates over the previous decade. The first was simply the lack of availability of management skills in some less-developed countries. Second, the performance of foreign subsidiaries was a significant factor influencing the use of expatriates (Scullion, 1992). This is well illustrated by the two largest international acquisitions made by Food and Drink International in the late 1980s. The first acquisition was a global drinks business with its headquarters in the US, and the second was a large US food business. The staffing policy differed sharply in the two acquisitions. In the former case, the existing management team (comprised entirely of host-country national managers) continued to run the business. In the words of a corporate HR executive: 'In this case, we inherited an excellent management team who were achieving first-class results. Why change a winning team and upset morale by introducing expatriates?'

In the second case, by contrast, the entire US management team was replaced by UK expatriates, 'mainly due to poor financial results and weak managerial performance'. The third major reason given for using expatriates was the objective of control of local operations (Brewster, 1991). Expatriates were felt to be more familiar with the corporate culture and control system of headquarters. A key role for senior expatriates was to train local managers to understand corporate financial and control systems to ensure more effective communication and co-ordination between subsidiary companies and headquarters. The fifth principal reason for using expatriates (usually very senior expatriates) was to maintain trust in *Foreign Business*.

following the increasing number of very large international acquisitions. The emergence of trust as a major factor in international staffing decisions in UK companies is related to the rapid growth in the number and scale of international acquisitions by British firms in the late 1980s (Scullion, 1995). In the present case, Food and Drink International was not willing to have a very large strategically important foreign investment being run by host-country national management. This was for two main reasons. First, the HCN managers were not known to headquarters management. Second, the loyalty of the HCN managers to 'the business' was not proven. The Food and Drink International case also highlighted that expatriates are more likely to be used in the early stages of new foreign operations. Control and trust, the two factors mentioned above, are particularly important in the early stages of internationalization (Zeira, 1976).

This factor also helps to explain the contrast between the staffing practices of Food and Drink International in Europe and the US. In Europe the majority of foreign operations had been established for some time. The senior management of the European companies mainly comprised HCNs. The new European companies which had been recently established were in contrast usually run by UK expatriates. Similarly, in many of the newly established or recently acquired US companies the tendency was to bring in senior UK expatriates to run the businesses.

The sixth principal reason for using expatriates in Food and Drink International was for management development purposes. This in part reflected a recognition of the two major disadvantages of the polycentric approach (Kobrin, 1988):

- 1 the need to bridge the gap between host country national managers and parent country managers; and
- 2 problems concerning the career paths of HCN and PCN managers. It also reflects the group's recognition that international management development activities were regarded as strategic and vital to the group's ability to develop as a global company. While Food and Drink International was a highly decentralized group with a rather limited corporate HR role, in practice succession planning and management development were operating on a global basis for the top 250 managers in the group. These managers were regarded by the centre as a group resource and were managed at group level.

The use of expatriates for management development purposes was also linked to the recent trend in Food and Drink International to

identify young, high-potential managers and give them international experience much earlier in their career than previously. In addition to the cost advantages of sending younger managers abroad, this strategy was also related to the problem of finding international managers and reflected also the increasing concern about the international mobility and repatriation of older managers.

Current Position

Notwithstanding the very significant increase in the use of expatriates *in practice* to run Food and Drink International's foreign operations, the *intention* was to use senior UK expatriates for only a relatively short-term transitory period. The international human resource strategy was to localize management in the operating companies by developing host-country national managers to take over the running of foreign businesses and withdrawing the expatriates. The implementation of the localization strategy is a major challenge for Food and Drink International given that many international firms have tended to neglect the training and development needs of their host country managers and focus virtually all their management development efforts on their parent country nationals (Shaeffer, 1989, p. 29).

Food and Drink International were responding to this challenge by increasing significantly the practice of developing host-country managers through developmental transfers to corporate headquarters. The corporate management development manager outlined four major advantages arising from this type of international transfer:

- 1 IHCN and TNCN nationals obtained first-hand experience of the corporate culture and headquarters control systems.
- 2 Bringing IHCN managers to the corporate centre helped the IHCN managers to develop a broader corporate perspective.
- 3 The process helped to identify high potential IHCNs and supported career and succession planning activities.
- 4 This approach to international development was seen as vital in helping to build global management teams and global firms.

The present case study is a good example of a multinational which passes through various stages of internationalization between evolution from a domestic to a truly global organization (Narasimha, 1987).

highlighted that international staffing strategy must be linked to the strategic evolution of the firm. It also suggests that, for multinationals, staffing and development issues will be key challenges in the late 1990s.

Postscript

Food and Drink International attributed its rapid international growth and success in global markets to three main factors:

- 1 the success of the national and global brands;
- 2 the recruitment of high-calibre people and their development to the highest possible standard;
- 3 a highly decentralized approach.

Questions

- 1 Explain the growth of interest in staffing issues in international firms.
- 2 Identify the key elements of Food and Drink International's strategy in the early 1980s.
- 3 What was the rationale underlying the strategy of acquiring large US Food and Drinks businesses in the late 1980s?
- 4 What are the main advantages/disadvantages of an ethnocentric staffing approach?
- 5 What are the main advantages/disadvantages of a polycentric staffing approach?
- 6 Why do firms pursuing a broadly polycentric approach to international staffing continue to use expatriates to manage their foreign operations? Identify and discuss the main reasons.
- 7 Identify the most important roles for corporate human resource management in a highly decentralized international firm.
- 8 Outline the benefits of seeking to develop host-country managers through developmental transfers to corporate headquarters.

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International human resource management

Hugh Scullion

INTRODUCTION TO INTERNATIONAL HUMAN RESOURCE MANAGEMENT

The aim of this chapter is to explore the field of 'international HRM'. This may be defined as the human resource management issues and problems arising from the internationalization of business, and the human resource management strategies and practices which firms pursue in response to the internationalization process. Dowling's summary of the literature (1988) on the differences between domestic and international HRM suggests that international HRM is more complex than domestic HRM. Morgan (1986) suggests that the complexities of operating in different countries and employing different national categories of workers are the main factors which differentiate domestic and international HRM, rather than any major differences between the HRM functions performed.

An understanding of international HRM is of growing importance at the present time, for a number of reasons:

- 1 Recent years have seen rapid increases in global activity and global competition (Young and Hamill 1992). As the multi-national corporations (MNCs) increase in number and influence, so the role of international HRM in those MNCs grows in significance (Dowling *et al.* 1994).
- 2 The effective management of human resources internationally is increasingly being recognized as a major determinant of success or failure in international business. In international business, the quality of management seems to be even more critical than in domestic operations (Dowling and Schuler 1990: 6-11; Tung 1984: 129).
- 3 Shortages of international managers are becoming an increasing problem for international firms. A survey of 440 European firms suggested that a shortage of international managers was the single most important factor constraining corporate efforts to expand abroad. Almost one-third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation (International

international firms revealed that two-thirds of the companies had experienced shortages of international managers and over 70 per cent indicated that future shortages were anticipated (Scullion 1992b). These findings suggest that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers.

- 4 The human and financial costs of failure in the international business arena are frequently more severe than in domestic business (Dowling and Schuler 1990: 10). In particular, indirect costs such as loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai 1984).
- 5 The advent of the Single European Market (SEM) and the rapid growth of British direct investment abroad (Hamill 1992) mean that international HRM issues are increasingly important concerns in a far wider range of organizations than the traditional giant multi-nationals. International human resource management problems are becoming ever more important for a growing number of smaller and medium-sized companies which have significantly internationalized their operations in recent years (Scullion 1992b).
- 6 There is evidence that many companies underestimate the complex nature of HRM problems involved in international operations. There is also some evidence to suggest that business failures in the international arena may often be linked to poor management of human resources (Tung 1984; Desatnick and Bennett 1978). The international literature indicates that expatriate failure continues to be a significant problem for many international firms (Dowling *et al.* 1994).

The evidence suggests that the 1990s will be an era of greater turbulence and complexity in international markets (Barham 1991). The international business environment will be characterized by new economic alignments, new sources of competition, globalization and fragmentation of markets and new forms of international alliances which involve competitive collaboration. In this context, effective international human resource management will become even more important in the future; yet in practice, many organizations are still coming to terms with the human resource issues associated with international operations (Dowling 1986). The field of international human resource management is only slowly developing as a field of academic study, and has been described by one authority as being in the infancy stage (Laurent 1986: 91). While there has been an increased interest in international HRM teaching/research over the past five years, there is still relatively little empirical research which documents the international HRM strategies and practices of international firms - particularly firms which have their headquarters outside North America.

'international HRM'. This chapter considers each in turn. The first briefly explores the links between strategy and international HRM in international business firms. The second is international staffing, the area which has to date enjoyed the bulk of research on international HRM. The third is expatriate performance and assessment. The fourth focuses on international HRM policies and pays particular attention to international management development. The fifth area of concern relates to the newer international organizational arrangements, including joint ventures and strategic alliances.

STRATEGY AND INTERNATIONAL HRM

Although the literature on international HRM tends to focus on the management of expatriates, there is increasing interest in its relationship with strategy and organizational structure (Kobrin 1992: 1). As Tichy *et al.* (1982) argue, the fundamental strategic management problem is to keep the strategy, structure and human resource dimensions of the organization in direct alignment. The central issue is not to identify the best international HRM policy *per se*, but rather to find the best fit between the firm's international environment, its overall strategy, its HRM policy and implementation (Adler and Ghadar 1991).

In the international firm, pressures to integrate across national borders (to standardize products and rationalize manufacturing) and to centralize and/or coordinate research and development have increased dramatically in the last decade (Kobrin 1992). These pressures for the global integration of markets arise from the scale and complexity of research and development efforts needed to remain technologically competitive and, in some industries, the high fixed costs of efficient production. Yet there are some products and services that demand accommodation to local customers, tasks, habits and regulations. Thus for many multi-nationals, the likelihood of operating in diverse environments has never been greater, while at the same time, multi-national firms also face pressures to fragment strategy to respond to local and national differences. It has been argued that the core strategic problem of top managers in international firms is balancing the economic need for integration with the social, cultural and political pressures for local responsiveness (Porter 1986; Bartlett and Ghoshal 1989; Prahalad and Doz 1987).

There has been increasing awareness of the strategic importance of HRM, and an increasing understanding that a firm's strategic choice imposes limits on the range of HRM practices (Schuler and Johnson 1989; Snell 1992). This argument has been extended to the multi-national context. The argument is that there should be distinct differences in international HRM policy and practice in multi domestic and globally integrated firms (Kobrin

practice to strategy through case studies of four Swedish firms, finding that global firms use more expatriates and fewer local nationals in key roles. They conclude that strategic differences are clearly reflected in HRM policy. Other researchers suggest linkages between product life cycle stage/international strategy and HRM policy and practice (Adler and Ghadar 1991; Milliman *et al.* 1991). They argue, for example, that international firms serving multi-domestic markets use expatriates to achieve integration and control, while multi-nationals pursuing a price strategy use international positions to develop an integrated global organization.

The problems of control in any diversified, multi-divisional firm are exacerbated in the multi-national where operations are dispersed over considerable geographic and cultural distances and the environment is complex and heterogeneous (Baliga and Jaeger 1984). Edstrom and Galbraith (1977) suggest three modes of control in the MNE:

- 1 Personal or direct control.
- 2 Bureaucratic control, which relies on recording and reporting.
- 3 Control by socialization, where the 'functional behaviours and rules for determining them were learned and internalized by individuals thereby obviating the need for procedures, hierarchical communication and surveillance'.

Edstrom and Galbraith argue that control through centralization is impossible in the large organization. In the multi-national context, bureaucratic control involves transferring home country nationals and expatriates who remain 'the agent of the centre in the periphery' (Kobrin 1992).

Dowling and Schuler (1990) suggest a twofold taxonomy: output control, which involves monitoring through data, and cultural control, which tends to be behavioural and subjective: 'social interaction, personnel transfers, and the socialization of employees to direct and control subsidiary performance'. It has been argued, however, that control modes may change as the firm's strategy evolves over time. During the early ethnocentric stage of a firm's international involvement, home country expatriates exercise tight control. As strategy becomes polycentric, there is a marked decline in the number of expatriates abroad and their function shifts to communication and coordination of strategic objectives. Finally, with globalization and evolution of a geocentric strategy, there is a need for a broad range of executives with international experience (Adler and Bartholomew 1992).

The conclusion of a recent review of multi-national strategy and international HRM is clear: global strategy is a significant determinant of HRM policy and practice. However, it is important to note that in this study, *causality is bi-directional*. International human resources are a strategic resource which affect, or should affect, the formulation of strategy as well as its implementation (Kobrin 1992).

Strategic international human resource management?

Schuler *et al.* (1993) cite several reasons for the emergence of the concept of strategic international HRM, including the growing recognition:

- that HRM at any level is important to strategy implementation
- that major strategic components of multi-national enterprises have a major influence on international management issues, functions, policies and practices
- that many of these characteristics of strategic international human resource management (SIHRM) can influence the attainment of the concerns and goals of MNCs
- that there are a wide variety of factors that make the relationship between MNCs and SIHRM complex, thereby making the study of SIHRM challenging as well as important.

Schuler *et al.* define strategic international human resource management as: 'human resource management issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises' (ibid.: 720). Their model suggests that there are two major strategic components of MNEs that give rise to and influence strategic international human resource management: inter-unit linkages and internal operations. Regarding the former, international firms are concerned with how effectively to manage their various operating units in different countries. In particular, they are interested in how these units are to be differentiated and how they are to be integrated (Ghoshal 1987). For strategic international resource management (SIHRM), however, it has been suggested that the issues associated with differentiating and integrating the units of an MNE represent a major influence on SIHRM issues, functions, policies and practices. With respect to the latter, MNEs are also concerned that each unit has to be operated as effectively as possible relative to the competitive strategy of the MNE and the unit itself (Schuler *et al.* 1993). Thus, for MNEs, these concerns regarding the internal operations of the units are also strategic (Pralhad and Doz 1987). They can influence the level of effectiveness of the MNE and strategic international human resource management in significant ways. How these internal operations and the inter-unit linkages of MNEs more precisely influence SIHRM is discussed elsewhere (Schuler *et al.* 1993).

The implication of this analysis is that the field of HRM has become more linked to the needs of the business, which in turn have become more international and strategic. Hence the emergence of the field of strategic international HRM and the growing recognition that the success of global business depends most importantly on the quality of the MNE's human resources and how effectively the enterprise's human resources are managed and developed (Bartlett and Ghoshal 1997).

INTERNATIONAL STAFFING

To date, the bulk of research on international human resource management has been in the area of staffing (Butler *et al.* 1991). Much of this research stems from concern among practitioners about the high costs of making poor staffing decisions and suggests there are two main implications of international staffing errors: first the financial and emotional costs of an expatriate's early return from an international assignment, and second, the possible 'invisible' damage to local relations (e.g. local staff members, customers, host government officials). These implications may be difficult to identify and assess but are relatively common, and frequently go unrecognized. The main topics in international staffing research have focused on nationality of subsidiary managers, selection criteria for managers, and more recently on models to use in the staffing process (ibid.).

Nationality

International firms face three alternatives with respect to the staffing of management positions abroad: the employment of parent country nationals, host country nationals, or third country nationals. The nationality question centres on human resource concerns, strategic concerns related to the firm's flexibility in making strategic shifts, and on maintaining a global perspective versus local needs. The research on international staffing reflects both the human resources and the more strategic orientations. The research on executive nationality policies indicates that a multinational company can choose from five options: ethnocentric, polycentric, geocentric, mixed, and *ad hoc* (Heenan and Perlmutter 1979; Dowling and Welch 1988).

An ethnocentric approach to staffing results in all key positions in a multi-national company being filled by parent country nationals (PCNs). This practice is common in the early stages of internationalization. Other reasons for pursuing an ethnocentric staffing policy are the perceived lack of qualified host country nationals (HCNs) and the perceived greater ability of the PCNs to coordinate subsidiary-parent relations and to transfer know-how from the parent to the subsidiary (Edstrom and Galbraith 1977). Researchers have, however, identified a number of major problems with an ethnocentric approach (Zeira 1976; Dowling and Schuler 1990):

- The effective adaptation of PCNs to a host country may take a long time.
- This approach to staffing limits the promotion opportunities of local managers (HCNs), which may lead to low morale and increased turnover.
- PCNs are not always sensitive to the needs and expectations of their host country environment.

- Frequently, difficult equity issues arise when PCN and HCN compensation packages are compared.

A polycentric staffing policy is one where HCNs are recruited to manage subsidiaries in their own country and PCNs occupy positions in corporate headquarters. There are a number of advantages to this approach (Dowling and Schuler 1990):

- It eliminates language barriers and the adjustment problems of expatriates and their families.
- Employing HCNs allows the possibility of a lower profile in the host country.
- A polycentric approach allows continuity of management within the host country.
- The employment of HCNs is generally less expensive.
- Finally, this approach enhances the morale and career opportunities of local staff.

Notwithstanding that a number of these advantages address some of the shortcomings of an ethnocentric policy, the literature identifies a number of disadvantages which may be associated with a polycentric policy (e.g. Dowling and Welch 1988). The major difficulty is that of bridging the gap between the host country managers at subsidiary level and the parent country managers at corporate headquarters level, which may arise due to a combination of language barriers, conflicting national loyalties and cultural differences (Kobrin 1992; Dowling and Welch 1988). A major disadvantage of a polycentric approach is that a multi-national firm could become a loose 'federation' of independent national units with weak links to corporate headquarters. A second major problem with this approach concerns the career paths of HCN and PCN managers. HCN managers have limited opportunities to gain experience outside of their own country. PCN managers also have limited opportunities to gain experience abroad. As top management positions at headquarters are only held by PCNs, the senior corporate management group may have little international experience to draw on. It has been argued that this lack of experience is a liability in an increasingly competitive international environment (Dowling and Welch 1988).

In the geocentric approach, the best people are sought for key jobs throughout the organization, regardless of nationality. This approach has two main advantages: first, it enables a multi-national firm to develop a pool of senior international managers and, second, it reduced the tendency of national identification of managers with subsidiary units of the organiza-

(HCNs) where possible. Second, a geocentric policy can be difficult to implement because of increased training, compensation and relocation costs. Third, longer lead times and more centralized control of the staffing process are required to implement successfully a geocentric staffing policy. This necessarily reduces the independence of subsidiary management, and this loss of autonomy may be resisted (Dowling and Welch 1988; Dowling and Schuler 1990).

The fourth approach to international staffing is a regional policy with regard to executive nationality. Heenan and Perlmutter define a region-centric policy as functional rationalization on a more-than-one country basis. The specific mix will vary with the nature of a firm's business and product strategy. Robcock and Simmonds (1983) give three examples of how the nature of a business or product strategy influences staffing policies. First, if regional or area expertise is important (e.g. consumer goods and/or limited product lines), then the need for PCNs will be low relative to the need for experienced HCNs and TCNs (third country nationals). Second, when product expertise is particularly important, PCNs tend to be used more frequently because of the need for quick access to parent country sources of supply and technical information. Third, service industries such as banking tend to use a relatively large number of PCNs, particularly where a firm is serving parent-country multi-national clients in foreign locations (*ibid.*).

The literature taking a more strategic approach on the issue of nationality of subsidiary managers has emphasized the need for some multi-nationals to have a global strategy with the flexibility to shift resources among units. A global strategy which requires that staffing decisions be centralized at corporate headquarters means trade-offs for the MNC. First, there is less flexibility in adapting to local markets. Second, when a firm pursues a global strategy, it frequently emphasizes the organizational culture worldwide, trying to supersede local culture. This may lead to conflict between national culture and corporate culture (Schneider 1986). In many cases, local culture is stronger than corporate culture and limits consistency in international human resource management within the firm (Laurent 1986).

Comparative international staffing practices

Recent empirical research on trends in international staffing policies and practices reveals a sharp contrast between European and US firms, and suggests other reasons for maintaining a flexible staffing policy. The findings of a recent study on staffing practices in UK and Irish multi-nationals showed that a majority of companies continued to rely heavily on

one-third operated with IHCNs in senior positions abroad. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations. Furthermore, the trend has moved in the direction of greater use of expatriates, with half the companies in the sample (twenty-two out of forty-five) reporting an increase in the use of expatriates over the previous decade and only 20 per cent reporting a reduction in the use of expatriates (Scullion 1991).

The above study also identified a number of reasons for employing expatriates in British MNCs. The first was the lack of availability of management and technical skills in some countries. The second major reason cited for using expatriates was the objective of control of local operations, a finding which was consistent with previous research (Forbion 1985; Brewster 1991). A further reason for using senior expatriates was to maintain trust in key foreign businesses following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquired companies than will be the case in greenfield sites (Hamill 1989). The emergence of trust as a major factor in relation to very senior expatriates is related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s (Scullion 1991). One interesting finding was that using expatriates for management development purposes was increasing in significance for British multi-nationals. This practice was in sharp contrast with US MNCs, where management development concerns were less significant in international staffing (Dowling and Schuler 1990) and reflects the tendency of British companies to see expatriation as part of the career development process (Hamill 1989).

The performance of foreign subsidiaries has frequently emerged as a significant factor influencing the use of expatriates, and the literature has often reported that crises accentuate headquarter's control (*ibid.*). Another factor influencing the approach adopted by companies was a strong expectation on the part of major foreign customers (and sometimes senior foreign government officials) that the top managers in the host country should be parent country nationals. Public relations and marketing were usually the key roles, in this context. Previous research has largely ignored this factor because it has concentrated on the very largest multi-nationals and has tended to neglect the service sector (Brewster 1991: 33). Finally, almost half of the companies in this study identified weaknesses in their training and development of IHCN and TCN managers as an important reason to explain their continued use of expatriates beyond the early stages of internationalization. These findings raise serious questions about the ability and commitment of some British multi-nationals to identify and

in part reflect the self-fulfilling nature of ethnocentrism (Banai 1992). It is suggested that while MNCs are quick to assign expatriate managers at the right points in the MNC life-cycle, they are also slow to assign IHCNs when desired. The argument is that where ethnocentric attitudes are self-perpetuated, this will limit the corporate headquarters ability to adjust HRM policy to their strategic approach (*ibid.*).

The findings of the study on UK MNCs (Scullion 1991) reveals sharp differences between UK and American experience. In recent years there has been a tendency among American MNCs to assign more IHCNs to key positions in foreign subsidiaries (Harris and Moran 1987; Kobrin 1988). Indeed, Kobrin suggested that the tendency of US multi-nationals to reduce the number of expatriates had gone too far. Kobrin (1988) argued that US firms have tended to use IHCNs to replace expatriates primarily in response to the difficulties US managers have experienced in adjusting to other cultural environments. He suggests that expatriate reduction may result in US multi-nationals facing reduced identification with the global organization and its objectives, difficulties in exercising control, and a lack of opportunities for American managers to gain international experience abroad. The principal concern is that American multi-nationals could face major strategic management control problems where managers identified with local units, rather than with global corporate objectives (*ibid.*: 68--73).

The sharp differences in approach to international staffing by US and UK multi-nationals provide support for the view that we need a more European approach to international HRM (Brewster and Burnois 1991). Mayrhofer (1992) identifies a number of reasons why an ethnocentric approach to staffing will be particularly appropriate to the European context over the next decade. First, control over foreign operations through personal control mechanisms will be important for many of the companies entering the European business scene and for companies in their first stages of internationalization. Similarly, it has been argued that the disadvantages of ethnocentrism will be less significant in the European context – for example, new flexible staffing solutions are emerging which reduce the impact on the private lives of managers and their families (Mayrhofer 1992).

By examining what significance an ethnocentric staffing strategy has in the specific European context, the assumptions which underlie the mainly North American literature on international staffing can be critically assessed. Mayrhofer's study concludes that the basic assumptions connected with international staffing only partly apply to Europe (*ibid.*). This provides further support for those expressing caution regarding an uncritical and unmodified adaptation of concepts derived in the North American context (Brewster and Burnois 1991).

expatriate managers. More recently, however, research has shifted towards considering staffing questions in a more strategic context. In an effort to consider the range of possible headquarters–subsidiary relationships, researchers are suggesting more ‘variety’ (Doz and Prahalad 1986) in approaches to staffing and other HRM activities (Boyacigiller 1990; Kobrin 1988). In certain subsidiaries, for example, an ethnocentric approach may be appropriate; in others, a polycentric approach may work better. Rather than adhering to a particular policy, researchers are urging MNCs to consider global strategy as well as local conditions in determining appropriate staffing approaches (Butler *et al.* 1991; Hamill 1989).

EXPATRIATE PERFORMANCE

Expatriate failure rates

An important issue in the international staffing literature is that of expatriate failure, which is usually defined as the premature return of an expatriate manager (Dowling and Welch 1988). The costs of expatriate failure are both direct (salary, training costs, travel and relocation expenses) and indirect (damaged relations with host country organizations and customers, loss of market share and requests that PCNs be replaced with HCNs. Zeira and Banai (1984) argue that MNCs should consider these factors as the real costs of the failure of international managers, rather than the direct costs cited above. The literature suggests that expatriate failure remains a significant problem, particularly for US MNCs, where failure rates remain relatively high – Henry (1965) reported a figure of 30 per cent, and similar figures have been used since (Dowling *et al.* 1994). Brewster (1991), however, comments that in most cases, it is unclear where the figures originate. Mendenhall and Oddou (1985) report that the estimated expatriate failure rate in US MNCs from 1965 to 1985 fluctuated between 25 and 40 per cent; Desatnick and Bennett (1978) claim that this figure rises to 70 per cent in developing countries.

However, in general, reported expatriate failure rates are considerably lower in the more solidly research-based studies (Brewster 1991). In Ting’s (1981) study of eighty US MNCs, 24 per cent of companies reported a failure rate of less than 10 per cent; 69 per cent of companies reported a 10–20 per cent failure rate, and only 7 per cent of companies reported a higher figure. Ting’s study on comparative expatriate failure rates in US, European and Japanese multi-nationals showed US companies as having both higher expatriate failure rates and a higher percentage of companies reporting recall rates of 10 per cent or more than European or Japanese companies (Ting 1982). Ting also asked her sample of multi national managers to indicate

Table 14.1 Reasons for expatriate failure (in descending order of importance)

American	Japanese	United Kingdom
1. The inability of spouse to adjust	1. Inability to cope with larger overseas responsibility	1. The inability of the spouse to adjust
2. Manager’s inability to adjust	2. Difficulties with new environment	2. Other family problems
3. Other family problems	3. Personal or emotional problems	3. Concerns over re-entry
4. Manager’s personal or emotional maturity	4. Lack of technical skills	
5. Inability to cope with larger overseas responsibility	5. Inability of spouse to adjust	

Sources: American and Japanese: adapted from Tung (1982: 55–71), cited in Dowling and Welch (1988); United Kingdom: Scullion (1993)

A major finding from a recent empirical study of forty-five British and Irish multi-nationals was that 90 per cent of companies were generally satisfied with the overall performance of their expatriate managers. Under 10 per cent of companies reported expatriate failure rates higher than 5 per cent, and only two companies reported a failure rate of 20 per cent or above (Scullion 1991). One interesting finding of this study was that the two companies with the highest expatriate failure rate had undergone the internationalization process in the recent past. A major conclusion of the study was that the expatriate failure rate in British and Irish multi-nationals is considerably lower than in US companies. British expatriate failure rates were similar to Australian (Dowling and Welch 1988) and Scandinavian rates (Bjorkman and Gertsen 1990).

This finding is consistent with the conclusion of previous research which suggests that European MNCs experience lower expatriate failure rates than US companies (Tung 1982; Brewster 1988; Scullion 1991). Three major reasons were given to explain the low British expatriate failure rate:

- 1 British companies felt they had more effective HRM policies covering international transfers. In particular, it was felt that closer attention was paid to the selection of expatriates, and that higher calibre managers went abroad.
- 2 International experience was more highly valued, and expatriate assignments were frequently regarded as being a key part of the overall

3 There was the widely held view that British managers were more international in their orientation and outlook than US managers (Hamill 1989; Scullion 1991).

A further and potentially controversial reason which should not be overlooked is the possibility that British multi-nationals experience lower failure rates because they are prepared to accept lower standards of performance (Hamill 1989) – expatriates who are under-performing may not be recalled for a number of reasons, including the difficulty of finding a replacement and the loss of face involved.

The low British expatriate failure rate did not mean, however, that companies were not concerned with the performance of expatriates. From the company perspective, a definition of failure based on the premature return from an international assignment almost certainly under-estimates the problem (Scullion 1991). Brewster (1991) makes the point that expatriate under-performance is a more frequent problem than failure of the type that requires repatriation. This suggests that the expatriate return rate is a far from perfect measure of success or failure, and raises questions about the usefulness of defining expatriate failure so narrowly.

Family-related problems, particularly the inability of the spouse to adapt to the new culture, emerged as the major reason for poor performance in international assignments in a recent study of British MNCs (Scullion 1991). This finding is consistent with previous research on US and European multi-nationals (Tung 1982; Brewster 1991). Recent European research highlights the importance of considering the 'family' factor in the selection and training practices of multi-nationals; yet, while most UK companies in a recent study claimed that they recognized the importance of this factor to successful performance in an international assignment, in practice only a minority reported that they actually took it into consideration in their selection decisions (Scullion 1991). Australian research, however, suggests that early recalls were attributed as much to a lack of technical skills as to the failure of the spouse to adjust (Dowling and Welch 1988). Interestingly, concern over re-entry was cited as a significant reason affecting expatriate performance in UK MNCs (Scullion 1993), reflecting the growing significance of repatriation problems for UK MNCs (Johnston 1991).

In Tung's study there were considerable national differences in the reasons cited for expatriate failure. In Japanese MNCs, for example, the inability of the spouse to adjust was not regarded as a significant factor affecting expatriate performance. This was related to the role and status of the spouse in Japan (Tung 1984). However, Dowling *et al.* (1994) suggest that other social factors may contribute to this finding. They argue that, because of the competitive nature of the Japanese education system, the spouse commonly opts to remain in Japan with the children. Tung also suggests that the longer term orientation of the Japanese companies

towards expatriation allows the Japanese expatriate more time to adjust to the foreign situation (Tung 1984). One weakness of the above literature is the relative failure to consider the effects of poor performance from the perspective of the expatriates themselves. Poor performance in the international assignment, or early recall, may lead to loss of self-esteem, self-confidence and prestige among peers. In addition, the expatriate's family relationship may be threatened (Dowling *et al.* 1994). This suggests that future research should take a broader perspective and should focus more on the expatriate perspective.

In an important review of the expatriate acculturation literature, Mendenhall and Oddou (1985) identified a major problem area in expatriate selection as being the ingrained practice to operate with the 'domestic equals overseas performance' equation. Technical expertise and domestic track record are by far the two dominant selection criteria. Mendenhall and Oddou conclude that the field of expatriate selection and training suffers from two interdependent problems: first, there is an inadequate understanding of the relevant variables of expatriate acculturation, which leads to a second problem, the use of inappropriate selection and training methods.

The overall purpose of Mendenhall and Oddou's review was to determine the key dimensions involved in the expatriate adjustment process and to examine the implications of these dimensions for the selection and training of expatriates. They concluded that there are four key dimensions in the expatriate adjustment process:

- 1 the self-oriented dimension
- 2 the others dimension
- 3 the perceptual dimension
- 4 the cultural toughness dimension.

Mendenhall and Oddou also make a number of recommendations concerning the selection and training of expatriates. First, selection procedures of MNCs should be changed from their present one-dimensional focus on technical competence as the primary criterion, to a multi-dimensional focus based on criteria relating to the factors identified in their review. Second, the toughness of the culture to which a future expatriate will be assigned should be assessed by comparing the host country's political, legal, socio-economic and business systems to those in the parent country. In practice, however, research suggests only a small minority of companies formally assessed a candidate's relational ability (Tung 1981; Scullion 1993). Given the research available (e.g. Hays 1974; Dowling *et al.* 1994) which links relational abilities to expatriate success, this suggests a significant weakness in the expatriate selection procedures of the majority of MNCs in the above studies.

A recent study by Roun (1989) brings together the dimensions of

expatriate success identified by Tung and by Mendenhall and Oddon. In Ronen's model there are five categories of attributes of success: job factors, relational dimensions, motivational state, family situation and language skills. Ronen concludes, however, that the relative importance of each category is difficult to establish due to the problems in assessing expatriate and managers' evaluations and because of the lack of systematic evaluation of such data.

EXPATRIATE PERFORMANCE ASSESSMENT

The whole question of performance measurement and management in multi-national companies involves a complex range of issues (Schuler, Fulkerson and Dowling 1991) and research to date suggests that rigorous performance appraisal systems for expatriates are far from universal (Brewster 1991; Schuler *et al.* 1991). This is perhaps surprising, given the high costs of expatriate failure and the growing tendency to see expatriates as key human assets (Adler and Bartholomew 1992). The assessment of expatriate performance demands an understanding of the variables that influence an expatriate's success or failure in a foreign assignment. It has been argued that the three major variables include the environment (culture), job requirements, and personality characteristics of the individual (Schuler *et al.* 1991). Problems in cultural adjustment which may impact on the manager's work performance should be considered when assessing an expatriate's performance in a new job (Mendenhall and Oddon 1988).

The literature also identifies a number of principal constraints on strategic performance measurement and management in MNCs. These include the possible conflict between global and subsidiary objectives, the problem of non-comparable data between subsidiaries, the volatility of the international market, and variable levels of market maturity. These factors make objective appraisal of subsidiary (and expatriate) performance more complex. Further, it is important to reconcile the tension between the need for universal appraisal standards with specific objectives in local units, and to recognize that more time may be needed to achieve results in markets which enjoy little supporting infrastructure from the parent company (Schuler *et al.* 1991).

The criteria used for the performance appraisal of international managers in practice has received relatively little attention in the literature (Brewster 1991). It has been suggested that these criteria generally are a function of the nature of the assignment, the stages of international business development and the international HRM philosophy or approach of the MNC (Schuler *et al.* 1991). There would appear to be growing interest, however, in evaluating managers on the basis of subsidiary performance using achievement of long range goals rather than short term measures, such as profit or return on equity. In conclusion, it would seem that there are many

factors which impact the performance of expatriate managers and that, because of this complexity, it can be difficult to make fair evaluations and comparisons of managerial contributions (*ibid.*).

INTERNATIONAL MANAGEMENT TRAINING AND DEVELOPMENT

Expatriate training and development

The primary reason for international companies undertaking training and development programmes for expatriates continues to be the cost of expatriate failure (Dowling and Welch 1988). As Robock and Simmonds (1983) have noted,

however imperfect training may be as a substitute for actual foreign living experience, it is valuable if it can reduce the often painful and agonizing experience of transferring into another culture and avoid the great damage that culture shock and cultural misunderstanding can do a firm's operating relationship. (Ibid.: 562)

The need for expatriate training becomes clear if we understand the complexity of the role of the parent country national manager (Dowling and Welch 1988). The role of the PCN manager has been described as one of 'realising the expectation of a psychologically close, yet physically distant stakeholder in an environment containing other role senders who are psychologically distant, but physically close' (Torbiorn 1985: 59).

Two additional problem areas make training and development for international assignments more complex than that for domestic assignments. First, since the stress associated with a foreign assignment falls on all family members (Harris and Moran 1979; Harvey 1985), the issue of training programmes for the spouse and family needs to be addressed. Second, the growing significance of repatriation problems for many MNCs (Johnston 1991; Scullion 1992b) highlights the failure by international firms to develop training programmes to facilitate re-entry of expatriate executives into the domestic organization.

A comparative study of MNC training practices found that US MNCs tend to use pre-departure training programmes less frequently than European and Japanese firms (32 per cent, compared with 69 per cent and 57 per cent respectively) (Tung 1982). Dowling and Welch (1988) comment that the high expatriate failures among US executives are hardly surprising, in view of this relatively low level of training.

Cross cultural training has long been advocated as a means of facilitating effective cross-cultural interactions (Brislin 1986), yet in practice most firms do not use cross cultural training. Recent studies suggest that only around

30 per cent of US managers destined for international assignments receive cross-cultural training (Black 1988; Black and Mendenhall 1990). The main reason for the low use of cross-cultural training appears to be that top management just does not believe the training is either necessary or effective (Mendenhall and Oddou 1985; Dowling and Schuler 1990). The research evidence on the training of expatriates for international assignments in European MNCs suggests that European firms undertake more training (Forbion 1982; Tung 1982; Brewster 1991). A study of European MNCs highlighted that informal briefings were used by two-thirds of MNCs as standard policy and that formal training courses were used by nearly half. A more recent study of forty-five UK MNCs reported that over 60 per cent of firms undertook preparatory training for some expatriate assignments, although interestingly, this study reported that only 5 per cent of companies provided training for international transfers to other European countries (Scullion 1993). Some European MNCs use 'look-see' visits for their expatriate managers, and some companies arranged shadowing opportunities in which employees take responsibility for a business unit abroad before moving to the foreign country (Brewster 1991; Scullion 1994).

Several models of training and development for expatriate managers have been developed over the last decade. Some contingency models consider the task, the individual and the environment before deciding the depth of training required (Tung 1981). Rahim's model (1983) makes a clear recognition of both internal and external influences on the training and development process. Mendenhall and Oddou (1986) have developed a 'cross-cultural training approach', consisting of three levels:

- 1 information-giving approaches (e.g. factual briefing and awareness training)
- 2 affective approaches (e.g. culture assimilation training, critical incidents and role plays)
- 3 immersion approaches (e.g. assessment centres, field experience, and simulations).

One advantage of this model over the previous contingency models is that it provides more specific guidelines. According to the model, the depth of training provided should depend on the length of stay, the degree required to ensure integration into the host culture and the cultural 'difference' of the host country from the home country (Mendenhall and Oddou 1986; Mendenhall, Dunbar and Oddou 1990).

1992a). While the faster pace of internationalization was cited in a recent study as the primary reason for shortages by the majority of firms, half the firms cited failures to recruit effectively, retain and develop host country managers as a key reason to explain shortages (Scullion 1994). A number of factors make the recruitment of IICN managers more difficult and costly compared to recruiting in the home country. These include the following: lack of knowledge of local labour markets, ignorance of the local education system and the status of qualifications, language and cultural problems at interviews, and trying to transfer recruitment methods which work well at home to foreign countries (Scullion 1992a; Dowling and Schuler 1990).

Many international firms have tended to neglect the training and development needs of their host country managers and focus virtually all of their management development efforts on their parent country national managers (Schaeffer 1989). The literature highlights three important lessons for international firms which are seeking to provide management training and development for IICNs and TCNs. First is the need to avoid the mistake of simply exporting parent-country training and development programmes to other countries (Dowling and Schuler 1990). Second, the management development programmes for host country and third country nationals need to be linked to the strategic situation in each country, as well as to the overall strategy of the firm (Scullion 1992b). Third is the need to utilize much further the practice of developing host country managers through developmental transfers to corporate headquarters. It has been argued that this type of international transfer exposes IICNs and TCNs to the headquarters' corporate culture and facilitates their developing a corporate perspective (Oddou and Kerr 1993). It has also been argued that this approach to development can be very effective in helping to develop global management teams, and is a necessary part of successfully operating a truly global firm (Edstrom and Galbraith 1977).

Oddou and Kerr's (1993) study of European MNCs' strategies for internationalizing managers identifies the need for a closer study of the barriers to bringing foreign nationals to head office. For example, relocating dual-career couples is becoming nearly a world-wide issue for many multinational firms (Dowling and Schuler 1990). Also, some cultures are less mobile and less willing to move. The type of incentive and compensation packages for those 'hard-to-move' high-potential managers will also be an important dimension in a company's ability to bring people to the corporate office (Oddou and Kerr 1993).

Scullion, H. (1996). Staffing Policy and Practice in an International Food and Drink Company, in J. Storey, ed. Blackwell Cases in Human Resource and Change Management, Routledge, London, 356-364.

Food and Drink International

International staffing: policy and practice

HUGH SCULLION

During the 1990s there was a surge of interest in international human resource management (HRM). This can be explained by the rapid increase in global activity and global competition and the growing recognition that the effective management of human resources internationally is a major source of competitive advantage in international business (Dowling et al., 1994). Also, there is evidence that many companies underestimate the complex nature of HRM problems in international business (Tung, 1984).

The particular focus of this case study is on the key issue of international staffing. One feature of the case was the exclusive focus on managing 'international managers'. The main theme of the case is to illustrate the key influences on international staffing decisions. In particular the case explores the links between international staffing and the international evolution of the firm.

A case study dealing with international staffing is appropriate for the following reasons:

- 1 The international staffing process is of considerable importance to an international firm. 'Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving this problem, I am confident we can cope with all others' (Duerr, 1968 p. 43).

- 2 'The staffing problems facing international firms are more complex than in domestic firms and inappropriate staffing policies may lead to difficulties in managing overseas operations' (Tung, 1984).

- 3 'The international literature indicates that expatriate failure continues to be a problem for many international firms and that business failures in the international arena may often be linked to poor staffing decisions' (Dowling et al., 1994).

- 4 Shortages of international managers are becoming an increasing problem for international firms and recent research suggests that the successful implementation of global strategies depends to a large extent on the existence of an adequate supply of internationally experienced managers (Scullion, 1993).

- 5 'The advent of the Single European Market and the rapid growth of British direct investment abroad since the early 1980s mean that issues of international staffing are increasingly important concerns in a far wider range of organizations than the traditional multinationals.'

Organizational Setting

Food and Drink International (FDI) is a UK-owned international food and drinks group. In the mid 1990s the group employed over 160,000 people world-wide, of whom approximately 100,000 (60 per cent) were employed outside the UK. Food and Drink International concentrates its activities in Western Europe, North America, Japan and the Far East. Yet in the late 1970s FDI was basically a UK organization with relatively few international activities. The rapid growth of foreign employment in FDI reflects the rapid and successful internationalization of the group's activities and the development of the group as a leading competitor in world markets.

Wholly-owned subsidiaries (foreign direct investment) had been the principal form of the group's involvement abroad but more recently there has been a significant growth in international joint ventures and strategic alliances due primarily to the globalization of the drinks industry.

When the group was founded in the early 1960s it was run very successfully by entrepreneurs as totally disparate businesses. There was little strategic synergy between the businesses. The company gained a reputation as a buy-and-sell company and, in the absence of a strategic approach, acquisitions were made on the basis of sound underlying property values.

In the early 1980s a more structured approach to business emerged. A new strategic approach developed which had several key elements:

- 1 The group would seek to develop through organic and acquisitive growth.
- 2 There would be a focus on high-quality businesses.
- 3 The group would seek to internationalize in related market areas (food and drink) primarily through acquisitions in the United States and Europe.
- 4 The strategy was to achieve a more even spread of earnings across the major geographical areas (the UK, the US and the rest of the world).

While the group continued to operate in a highly decentralized way the new strategic approach of the early 1980s was in sharp contrast to the approach of the late 1970s when the group comprised a series of stand-alone companies and was still basically a highly decentralized holding company.

The late 1980s saw a further major development in the international business strategy of Food and Drink International. The group made several acquisitions of giant food and drink businesses in the United States and Europe. As a result of these acquisitions the international character of the group was fundamentally altered and for the first time in their history the group had more business (by turnover) and profit in the US than in the UK.

These changes reflected a further development of the group's internationalization strategy. The strategy of Food and Drink International was now to become a global company in order to compete effectively in industries which were increasingly becoming global in character. In the late 1980s the global drinks industry was consolidating into four major global players. The rationale behind the strategy of acquiring large US drinks companies was to acquire the global brands which came with them. In the global drinks industry of the late 1980s and early 1990s, global competitive advantage was gained either by acquiring global brands or securing control of distribution on an international basis. The strategic motivation underlying the acquisition of a very large US international food company in 1988 by Food and Drink International was primarily to give the group 'critical mass' in the world foods market and control over some of the strongest brands in the world's richest food market.

Currently, Food and Drink International has an established strategic focus as an international food and drinks group, and recent acquisitions and divestments reflect this strategy. The international brand marketing skills are seen as a major source of competitive advantage for the group and as key to strengthening the position of global brand leaders and other brands in the group's portfolio.

International Staffing Policy and Practice

International firms face three alternatives with respect to the staffing of management positions abroad: the employment of parent country nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs). In the 1970s in the early stages of the internationalization of Food and Drink International, the staffing policy of the group was largely ethnocentric in character (all key positions at the centre and locally being filled by parent company nationals). This approach is relatively common in the early stage of internationalization where a company is setting up a new business process or product in another country and knowledge of the company's culture and reporting systems is considered essential (Zeira, 1976).

International staffing policy, like HRM strategy generally, however, must be linked to the strategic evolution of the firm (Schuler et al., 1993). As Food and Drink International moved beyond the early phase of internationalization and adapted a highly decentralized approach to international business operations a number of the disadvantages of an ethnocentric approach became increasingly significant.

- 1 The effective adaptation of PCNs to some host countries frequently took longer than anticipated.
- 2 There were limited promotion and development opportunities for local managers. This made it more difficult to attract and motivate high-calibre local staff.
- 3 Problems sometimes emerged when PCN and HCN compensation packages were compared.

Given the disadvantages of an ethnocentric staffing policy outlined above and the highly decentralized approach adopted by Food and Drink International, it is not surprising that the firm shifted towards a polycentric staffing policy (which is one where HCNs are recruited to manage subsidiaries in their own country and PCNs occupy senior positions in corporate headquarters).

Food and Drink International identified a number of advantages of operating with a polycentric approach which are consistent with findings in the literature (Dowling et al., 1994):

- 1 It removed the adjustment problems of expatriates and their families.
- 2 Local managers were more sensitive to local culture and local market trends.

- 3 Host country national managers generally cost less than parent company nationals.
- 4 A polycentric approach allowed greater continuity of management within the foreign subsidiaries.
- 5 A polycentric approach was a better fit with the highly decentralized business approach.
- 6 This approach enhanced the ability of the group to recruit, motivate and develop local staff.

Yet while Food and Drink International adopted a formal staffing policy which favoured using host-country managers to run their foreign operations, in *practice* there had been a very significant increase in the use of expatriates to run their foreign operations. The explanation of this paradox is at the heart of the case study.

There were a number of principal reasons given by Food and Drink International to explain their increased use of expatriates over the previous decade. The first was simply the lack of availability of management skills in some less-developed countries. Second, the performance of foreign subsidiaries was a significant factor influencing the use of expatriates (Scullion, 1992). This is well illustrated by the two largest international acquisitions made by Food and Drink International in the late 1980s. The first acquisition was a global drinks business with its headquarters in the US, and the second was a large US food business. The staffing policy differed sharply in the two acquisitions. In the former case, the existing management team (comprised entirely of host-country national managers) continued to run the business. In the words of a corporate HR executive: 'In this case, we inherited an excellent management team who were achieving first-class results. Why change a winning team and upset morale by introducing expatriates?'

In the second case, by contrast, the entire US management team was replaced by UK expatriates, 'mainly due to poor financial results and weak managerial performance'. The third major reason given for using expatriates was the objective of control of local operations (Brewster, 1991). Expatriates were felt to be more familiar with the corporate culture and control system of headquarters. A key role for senior expatriates was to train local managers to understand corporate financial and control systems to ensure more effective communication and co-ordination between subsidiary companies and headquarters. The fifth principal reason for using expatriates (usually very senior expatriates) was to maintain trust in *Lev* foreign business.

following the increasing number of very large international acquisitions. The emergence of trust as a major factor in international staffing decisions in UK companies is related to the rapid growth in the number and scale of international acquisitions by British firms in the late 1980s (Scullion, 1995). In the present case, Food and Drink International was not willing to have a very large strategically important foreign investment being run by host-country national management. This was for two main reasons. First, the HCN managers were not known to headquarters management. Second, the loyalty of the HCN managers to 'the business' was not proven. The Food and Drink International case also highlighted that expatriates are more likely to be used in the early stages of new foreign operations. Control and trust, the two factors mentioned above, are particularly important in the early stages of internationalization (Zeira, 1976).

This factor also helps to explain the contrast between the staffing practices of Food and Drink International in Europe and the US. In Europe the majority of foreign operations had been established for some time. The senior management of the European companies mainly comprised HCNs. The new European companies which had been recently established were in contrast usually run by UK expatriates. Similarly, in many of the newly established or recently acquired US companies the tendency was to bring in senior UK expatriates to run the businesses.

The sixth principal reason for using expatriates in Food and Drink International was for management development purposes. This in part reflected a recognition of the two major disadvantages of the polycentric approach (Kobrin, 1988):

- 1 the need to bridge the gap between host country national managers and parent country managers; and
- 2 problems concerning the career paths of HCN and PCN managers. It also reflects the group's recognition that international management development activities were regarded as strategic and vital to the group's ability to develop as a global company. While Food and Drink International was a highly decentralized group with a rather limited corporate HR role, in practice succession planning and management development were operating on a global basis for the top 250 managers in the group. These managers were regarded by the centre as a group resource and were managed at group level.

The use of expatriates for management development purposes was also linked to the recent trend in Food and Drink International to

identify young, high-potential managers and give them international experience much earlier in their career than previously. In addition to the cost advantages of sending younger managers abroad, this strategy was also related to the problem of finding international managers and reflected also the increasing concern about the international mobility and repatriation of older managers.

Current Position

Notwithstanding the very significant increase in the use of expatriates *in practice* to run Food and Drink International's foreign operations, the *intention* was to use senior UK expatriates for only a relatively short-term transitory period. The international human resource strategy was to localize management in the operating companies by developing host-country national managers to take over the running of foreign businesses and withdrawing the expatriates. The implementation of the localization strategy is a major challenge for Food and Drink International given that many international firms have tended to neglect the training and development needs of their host country managers and focus virtually all their management development efforts on their parent country nationals (Shaeffer, 1989, p. 29).

Food and Drink International were responding to this challenge by increasing significantly the practice of developing host-country managers through developmental transfers to corporate headquarters. The corporate management development manager outlined four major advantages arising from this type of international transfer:

- 1 IHCN and TCN nationals obtained first-hand experience of the corporate culture and headquarters control systems.
- 2 Bringing IHCN managers to the corporate centre helped the IHCN managers to develop a broader corporate perspective.
- 3 The process helped to identify high potential IHCNs and supported career and succession planning activities.
- 4 This approach to international development was seen as vital in helping to build global management teams and global firms.

The present case study is a good example of a multinational which passes through various stages of internationalization between evolution from a domestic to a truly global organization (Negandhi, 1987).

highlighted that international staffing strategy must be linked to the strategic evolution of the firm. It also suggests that, for multinationalals, staffing and development issues will be key challenges in the late 1990s.

Postscript

Food and Drink International attributed its rapid international growth and success in global markets to three main factors:

- 1 the success of the national and global brands;
- 2 the recruitment of high-calibre people and their development to the highest possible standard;
- 3 a highly decentralized approach.

Questions

- 1 Explain the growth of interest in staffing issues in international firms.
- 2 Identify the key elements of Food and Drink International's strategy in the early 1980s.
- 3 What was the rationale underlying the strategy of acquiring large US Food and Drinks businesses in the late 1980s?
- 4 What are the main advantages/disadvantages of an ethnocentric staffing approach?
- 5 What are the main advantages/disadvantages of a polycentric staffing approach?
- 6 Why do firms pursuing a broadly polycentric approach to international staffing continue to use expatriates to manage their foreign operations? Identify and discuss the main reasons.
- 7 Identify the most important roles for corporate human resource management in a highly decentralized international firm.
- 8 Outline the benefits of seeking to develop host-country managers through developmental transfers to corporate headquarters.

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International human resource management

Hugh Scullion

INTRODUCTION TO INTERNATIONAL HUMAN RESOURCE MANAGEMENT

The aim of this chapter is to explore the field of 'international HRM'. This may be defined as the human resource management issues and problems arising from the internationalization of business, and the human resource management strategies and practices which firms pursue in response to the internationalization process. Dowling's summary of the literature (1988) on the differences between domestic and international HRM suggests that international HRM is more complex than domestic HRM. Morgan (1986) suggests that the complexities of operating in different countries and employing different national categories of workers are the main factors which differentiate domestic and international HRM, rather than any major differences between the HRM functions performed.

An understanding of international HRM is of growing importance at the present time, for a number of reasons:

- 1 Recent years have seen rapid increases in global activity and global competition (Young and Hamill 1992). As the multi-national corporations (MNCs) increase in number and influence, so the role of international HRM in those MNCs grows in significance (Dowling *et al.* 1994).
- 2 The effective management of human resources internationally is increasingly being recognized as a major determinant of success or failure in international business. In international business, the quality of management seems to be even more critical than in domestic operations (Dowling and Schuler 1990: 6-11; Tung 1984: 129).
- 3 Shortages of international managers are becoming an increasing problem for international firms. A survey of 440 European firms suggested that a shortage of international managers was the single most important factor constraining corporate efforts to expand abroad. Almost one-third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation (*International Management* 1986). A more recent study of forty-five British and Irish

international firms revealed that two-thirds of the companies had experienced shortages of international managers and over 70 per cent indicated that future shortages were anticipated (Scullion 1992b). These findings suggest that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers.

- 4 The human and financial costs of failure in the international business arena are frequently more severe than in domestic business (Dowling and Schuler 1990: 10). In particular, indirect costs such as loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai 1984).
- 5 The advent of the Single European Market (SEM) and the rapid growth of British direct investment abroad (Hamill 1992) mean that international HRM issues are increasingly important concerns in a far wider range of organizations than the traditional giant multi-nationals. International human resource management problems are becoming ever more important for a growing number of smaller and medium-sized companies which have significantly internationalized their operations in recent years (Scullion 1992b).
- 6 There is evidence that many companies underestimate the complex nature of HRM problems involved in international operations. There is also some evidence to suggest that business failures in the international arena may often be linked to poor management of human resources (Tung 1984; Desatnick and Bennett 1978). The international literature indicates that expatriate failure continues to be a significant problem for many international firms (Dowling *et al.* 1994).

The evidence suggests that the 1990s will be an era of greater turbulence and complexity in international markets (Barham 1991). The international business environment will be characterized by new economic alignments, new sources of competition, globalization and fragmentation of markets and new forms of international alliances which involve competitive collaboration. In this context, effective international human resource management will become even more important in the future; yet in practice, many organizations are still coming to terms with the human resource issues associated with international operations (Dowling 1986). The field of international human resource management is only slowly developing as a field of academic study, and has been described by one authority as being in the infancy stage (Laurent 1986: 91). While there has been an increased interest in international HRM teaching/research over the past five years, there is still relatively little empirical research which documents the international HRM strategies and practices of international firms - particularly firms which have their headquarters outside North America.

There are five sets of issues which are normally encompassed by the term

'international HRM'. This chapter considers each in turn. The first briefly explores the links between strategy and international HRM in international business firms. The second is international staffing, the area which has to date enjoyed the bulk of research on international HRM. The third is expatriate performance and assessment. The fourth focuses on international HRM policies and pays particular attention to international management development. The fifth area of concern relates to the newer international organizational arrangements, including joint ventures and strategic alliances.

STRATEGY AND INTERNATIONAL HRM

Although the literature on international HRM tends to focus on the management of expatriates, there is increasing interest in its relationship with strategy and organizational structure (Kobrin 1992: 1). As Tichy *et al.* (1982) argue, the fundamental strategic management problem is to keep the strategy, structure and human resource dimensions of the organization in direct alignment. The central issue is not to identify the best international HRM policy *per se*, but rather to find the best fit between the firm's international environment, its overall strategy, its HRM policy and implementation (Adler and Ghadar 1991).

In the international firm, pressures to integrate across national borders (to standardize products and rationalize manufacturing) and to centralize and/or coordinate research and development have increased dramatically in the last decade (Kobrin 1992). These pressures for the global integration of markets arise from the scale and complexity of research and development efforts needed to remain technologically competitive and, in some industries, the high fixed costs of efficient production. Yet there are some products and services that demand accommodation to local customers, tasks, habits and regulations. Thus for many multi-nationals, the likelihood of operating in diverse environments has never been greater, while at the same time, multi-national firms also face pressures to fragment strategy to respond to local and national differences. It has been argued that the core strategic problem of top managers in international firms is balancing the economic need for integration with the social, cultural and political pressures for local responsiveness (Porter 1986; Bartlett and Ghoshal 1989; Prahalad and Doz 1987).

There has been increasing awareness of the strategic importance of HRM, and an increasing understanding that a firm's strategic choice imposes limits on the range of HRM practices (Schuler and Johnson 1989; Snell 1992). This argument has been extended to the multi-national context. The argument is that there should be distinct differences in international HRM policy and practice in multi domestic and globally integrated firms (Kobrin

practice to strategy through case studies of four Swedish firms, finding that global firms use more expatriates and fewer local nationals in key roles. They conclude that strategic differences are clearly reflected in HRM policy. Other researchers suggest linkages between product life cycle stage/internal strategy and HRM policy and practice (Adler and Ghadar 1991; Milliman *et al.* 1991). They argue, for example, that international firms serving multi-domestic markets use expatriates to achieve integration and control, while multi-nationals pursuing a price strategy use international positions to develop an integrated global organization.

The problems of control in any diversified, multi-divisional firm are exacerbated in the multi-national where operations are dispersed over considerable geographic and cultural distances and the environment is complex and heterogeneous (Baliga and Jaeger 1984). Edstrom and Galbraith (1977) suggest three modes of control in the MNE:

- 1 Personal or direct control.
- 2 Bureaucratic control, which relies on recording and reporting.
- 3 Control by socialization, where the 'functional behaviours and rules for determining them were learned and internalized by individuals thereby obviating the need for procedures, hierarchical communication and surveillance'.

Edstrom and Galbraith argue that control through centralization is impossible in the large organization. In the multi-national context, bureaucratic control involves transferring home country nationals and expatriates who remain 'the agent of the centre in the periphery' (Kobrin 1992).

Dowling and Schuler (1990) suggest a twofold taxonomy: output control, which involves monitoring through data, and cultural control, which tends to be behavioural and subjective: 'social interaction, personnel transfers, and the socialization of employees to direct and control subsidiary performance'. It has been argued, however, that control modes may change as the firm's strategy evolves over time. During the early ethnocentric stage of a firm's international involvement, home country expatriates exercise tight control. As strategy becomes polycentric, there is a marked decline in the number of expatriates abroad and their function shifts to communication and coordination of strategic objectives. Finally, with globalization and evolution of a geocentric strategy, there is a need for a broad range of executives with international experience (Adler and Bartholomew 1992).

The conclusion of a recent review of multi-national strategy and international HRM is clear: global strategy is a significant determinant of HRM policy and practice. However, it is important to note that in this study, *causality is bi-directional*. International human resources are a strategic resource which affect, or should affect, the formulation of strategy as well as its implementation (Kobrin 1992).

Strategic international human resource management?

Schuler *et al.* (1993) cite several reasons for the emergence of the concept of strategic international HRM, including the growing recognition:

- that HRM at any level is important to strategy implementation
- that major strategic components of multi-national enterprises have a major influence on international management issues, functions, policies and practices
- that many of these characteristics of strategic international human resource management (SIHRM) can influence the attainment of the concerns and goals of MNCs
- that there are a wide variety of factors that make the relationship between MNCs and SIHRM complex, thereby making the study of SIHRM challenging as well as important.

Schuler *et al.* define strategic international human resource management as: 'human resource management issues, functions and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises' (ibid.: 720). Their model suggests that there are two major strategic components of MNEs that give rise to and influence strategic international human resource management: inter-unit linkages and internal operations. Regarding the former, international firms are concerned with how effectively to manage their various operating units in different countries. In particular, they are interested in how these units are to be differentiated and how they are to be integrated (Ghoshal 1987). For strategic international resource management (SIHRM), however, it has been suggested that the issues associated with differentiating and integrating the units of an MNE represent a major influence on SIHRM issues, functions, policies and practices. With respect to the latter, MNEs are also concerned that each unit has to be operated as effectively as possible relative to the competitive strategy of the MNE and the unit itself (Schuler *et al.* 1993). Thus, for MNEs, these concerns regarding the internal operations of the units are also strategic (Prahalad and Doz 1987). They can influence the level of effectiveness of the MNE and strategic international human resource management in significant ways. How these internal operations and the inter-unit linkages of MNEs more precisely influence SIHRM is discussed elsewhere (Schuler *et al.* 1993).

The implication of this analysis is that the field of HRM has become more linked to the needs of the business, which in turn have become more international and strategic. Hence the emergence of the field of strategic international HRM and the growing recognition that the success of global business depends most importantly on the quality of the MNE's human resources and how effectively the enterprise's human resources are managed and developed (Bartlett and Ghoshal 1992).

INTERNATIONAL STAFFING

To date, the bulk of research on international human resource management has been in the area of staffing (Butler *et al.* 1991). Much of this research stems from concern among practitioners about the high costs of making poor staffing decisions and suggests there are two main implications of international staffing errors: first the financial and emotional costs of an expatriate's early return from an international assignment, and second, the possible 'invisible' damage to local relations (e.g. local staff members, customers, host government officials). These implications may be difficult to identify and assess but are relatively common, and frequently go unrecognized. The main topics in international staffing research have focused on nationality of subsidiary managers, selection criteria for managers, and more recently on models to use in the staffing process (ibid.).

Nationality

International firms face three alternatives with respect to the staffing of management positions abroad: the employment of parent country nationals, host country nationals, or third country nationals. The nationality question centres on human resource concerns, strategic concerns related to the firm's flexibility in making strategic shifts, and on maintaining a global perspective versus local needs. The research on international staffing reflects both the human resources and the more strategic orientations. The research on executive nationality policies indicates that a multinational company can choose from five options: ethnocentric, polycentric, geocentric, mixed, and *ad hoc* (Heenan and Perlmutter 1979; Dowling and Welch 1988).

An ethnocentric approach to staffing results in all key positions in a multi-national company being filled by parent country nationals (PCNs). This practice is common in the early stages of internationalization. Other reasons for pursuing an ethnocentric staffing policy are the perceived lack of qualified host country nationals (HCNs) and the perceived greater ability of the PCNs to coordinate subsidiary-parent relations and to transfer know-how from the parent to the subsidiary (Edstrom and Galbraith 1977). Researchers have, however, identified a number of major problems with an ethnocentric approach (Zeira 1976; Dowling and Schuler 1990):

- The effective adaptation of PCNs to a host country may take a long time.
- This approach to staffing limits the promotion opportunities of local managers (HCNs), which may lead to low morale and increased turnover.
- PCNs are not always sensitive to the needs and expectations of their host country environment.

one-third operated with HCNs in senior positions abroad. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations. Furthermore, the trend has moved in the direction of greater use of expatriates, with half the companies in the sample (twenty-two out of forty-five) reporting an increase in the use of expatriates over the previous decade and only 20 per cent reporting a reduction in the use of expatriates (Scullion 1991).

The above study also identified a number of reasons for employing expatriates in British MNCs. The first was the lack of availability of management and technical skills in some countries. The second major reason cited for using expatriates was the objective of control of local operations, a finding which was consistent with previous research (Torbjörn 1985; Brewster 1991). A further reason for using senior expatriates was to maintain trust in key foreign businesses following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquired companies than will be the case in greenfield sites (Hamill 1989). The emergence of trust as a major factor in relation to very senior expatriates is related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s (Scullion 1991). One interesting finding was that using expatriates for management development purposes was increasing in significance for British multi-nationals. This practice was in sharp contrast with US MNCs, where management development concerns were less significant in international staffing (Dowling and Schuler 1990) and reflects the tendency of British companies to see expatriation as part of the career development process (Hamill 1989).

The performance of foreign subsidiaries has frequently emerged as a significant factor influencing the use of expatriates, and the literature has often reported that crises accentuate headquarter's control (ibid.). Another factor influencing the approach adopted by companies was a strong expectation on the part of major foreign customers (and sometimes senior foreign government officials) that the top managers in the host country should be parent country nationals. Public relations and marketing were usually the key roles, in this context. Previous research has largely ignored this factor because it has concentrated on the very largest multi-nationals and has tended to neglect the service sector (Brewster 1991: 33). Finally, almost half of the companies in this study identified weaknesses in their training and development of HCN and TCN managers as an important reason to explain their continued use of expatriates beyond the early stages of internationalization. These findings raise serious questions about the ability and commitment of some British multi-nationals to identify and develop host country managers in their foreign operations (Hailey 1992). Indeed, it has been argued that the failure of the localization process to create new generation of skilled local staff to take over key positions may

in part reflect the self-fulfilling nature of ethnocentrism (Banai 1992). It is suggested that while MNCs are quick to assign expatriate managers at the right points in the MNC life-cycle, they are also slow to assign HCNs when desired. The argument is that where ethnocentric attitudes are self-perpetuated, this will limit the corporate headquarters ability to adjust IHRM policy to their strategic approach (ibid.).

The findings of the study on UK MNCs (Scullion 1991) reveals sharp differences between UK and American experience. In recent years there has been a tendency among American MNCs to assign more HCNs to key positions in foreign subsidiaries (Harris and Moran 1987; Kobrin 1988). Indeed, Kobrin suggested that the tendency of US multi-nationals to reduce the number of expatriates had gone too far. Kobrin (1988) argued that US firms have tended to use HCNs to replace expatriates primarily in response to the difficulties US managers have experienced in adjusting to other cultural environments. He suggests that expatriate reduction may result in US multi-nationals facing reduced identification with the global organization and its objectives, difficulties in exercising control, and a lack of opportunities for American managers to gain international experience abroad. The principal concern is that American multi-nationals could face major strategic management control problems where managers identified with local units, rather than with global corporate objectives (ibid.: 68-73).

The sharp differences in approach to international staffing by US and UK multi-nationals provide support for the view that we need a more European approach to international HRM (Brewster and Burnois 1991). Mayrhofer (1992) identifies a number of reasons why an ethnocentric approach to staffing will be particularly appropriate to the European context over the next decade. First, control over foreign operations through personal control mechanisms will be important for many of the companies entering the European business scene and for companies in their first stages of internationalization. Similarly, it has been argued that the disadvantages of ethnocentrism will be less significant in the European context - for example, new flexible staffing solutions are emerging which reduce the impact on the private lives of managers and their families (Mayrhofer 1992).

By examining what significance an ethnocentric staffing strategy has in the specific European context, the assumptions which underly the mainly North American literature on international staffing can be critically assessed. Mayrhofer's study concludes that the basic assumptions connected with international staffing only partly apply to Europe (ibid.). This provides further support for those expressing caution regarding an uncritical and unmodified adaptation of concepts derived in the North American context (Brewster and Burnois 1991).

Much of the early research on international staffing was largely descriptive and lacking in analytical rigour. This research was mainly prescriptive in nature and primarily concerned with advising firms on how to select

expatriate managers. More recently, however, research has shifted towards considering staffing questions in a more strategic context. In an effort to consider the range of possible headquarters–subsidiary relationships, researchers are suggesting more ‘variety’ (Doz and Prahalad 1986) in approaches to staffing and other HRM activities (Boyacigiller 1990; Kobrin 1988). In certain subsidiaries, for example, an ethnocentric approach may be appropriate; in others, a polycentric approach may work better. Rather than adhering to a particular policy, researchers are urging MNCs to consider global strategy as well as local conditions in determining appropriate staffing approaches (Butler *et al.* 1991; Hamill 1989).

EXPATRIATE PERFORMANCE

Expatriate failure rates

An important issue in the international staffing literature is that of expatriate failure, which is usually defined as the premature return of an expatriate manager (Dowling and Welch 1988). The costs of expatriate failure are both direct (salary, training costs, travel and relocation expenses) and indirect (damaged relations with host country organizations and customers, loss of market share and requests that PCNs be replaced with HCNs. Zeira and Banai (1984) argue that MNCs should consider these factors as the real costs of the failure of international managers, rather than the direct costs cited above. The literature suggests that expatriate failure remains a significant problem, particularly for US MNCs, where failure rates remain relatively high – Henry (1965) reported a figure of 30 per cent, and similar figures have been used since (Dowling *et al.* 1994). Brewster (1991), however, comments that in most cases, it is unclear where the figures originate. Mendenhall and Oddou (1985) report that the estimated expatriate failure rate in US MNCs from 1965 to 1985 fluctuated between 25 and 40 per cent; Desatnick and Bennett (1978) claim that this figure rises to 70 per cent in developing countries.

However, in general, reported expatriate failure rates are considerably lower in the more solidly research-based studies (Brewster 1991). In Tung’s (1981) study of eighty US MNCs, 24 per cent of companies reported a failure rate of less than 10 per cent; 69 per cent of companies reported a 10–20 per cent failure rate, and only 7 per cent of companies reported a higher figure. Tung’s study on comparative expatriate failure rates in US, European and Japanese multi-nationals showed US companies as having both higher expatriate failure rates and a higher percentage of companies reporting recall rates of 10 per cent or more than European or Japanese companies (Tung 1982). Tung also asked her sample of multi national managers to indicate reasons for expatriate failure in their companies; her findings are summar-

Table 14.1 Reasons for expatriate failure (in descending order of importance)

American	Japanese	United Kingdom
1. The inability of spouse to adjust	1. Inability to cope with larger overseas responsibility	1. The inability of the spouse to adjust
2. Manager’s inability to adjust	2. Difficulties with new environment	2. Other family problems
3. Other family problems	3. Personal or emotional problems	3. Concerns over re-entry
4. Manager’s personal or emotional maturity	4. Lack of technical skills	
5. Inability to cope with larger overseas responsibility	5. Inability of spouse to adjust	

Sources: American and Japanese: adapted from Tung (1982: 55–71), cited in Dowling and Welch (1988); United Kingdom: Scullion (1993)

A major finding from a recent empirical study of forty-five British and Irish multi-nationals was that 90 per cent of companies were generally satisfied with the overall performance of their expatriate managers. Under 10 per cent of companies reported expatriate failure rates higher than 5 per cent, and only two companies reported a failure rate of 20 per cent or above (Scullion 1991). One interesting finding of this study was that the two companies with the highest expatriate failure rate had undergone the internationalization process in the recent past. A major conclusion of the study was that the expatriate failure rate in British and Irish multi-nationals is considerably lower than in US companies. British expatriate failure rates were similar to Australian (Dowling and Welch 1988) and Scandinavian rates (Bjorkman and Gertsen 1990).

This finding is consistent with the conclusion of previous research which suggests that European MNCs experience lower expatriate failure rates than US companies (Tung 1982; Brewster 1988; Scullion 1991). Three major reasons were given to explain the low British expatriate failure rate:

- 1 British companies felt they had more effective HRM policies covering international transfers. In particular, it was felt that closer attention was paid to the selection of expatriates, and that higher calibre managers went abroad.
- 2 International experience was more highly valued, and expatriate assignments were frequently regarded as being a key part of the overall management development process

3 There was the widely held view that British managers were more international in their orientation and outlook than US managers (Hamill 1989; Scullion 1991).

A further and potentially controversial reason which should not be overlooked is the possibility that British multi-nationals experience lower failure rates because they are prepared to accept lower standards of performance (Hamill 1989) – expatriates who are under-performing may not be recalled for a number of reasons, including the difficulty of finding a replacement and the loss of face involved.

The low British expatriate failure rate did not mean, however, that companies were not concerned with the performance of expatriates. From the company perspective, a definition of failure based on the premature return from an international assignment almost certainly under-estimates the problem (Scullion 1991). Brewster (1991) makes the point that expatriate under-performance is a more frequent problem than failure of the type that requires repatriation. This suggests that the expatriate return rate is a far from perfect measure of success or failure, and raises questions about the usefulness of defining expatriate failure so narrowly.

Family-related problems, particularly the inability of the spouse to adapt to the new culture, emerged as the major reason for poor performance in international assignments in a recent study of British MNCs (Scullion 1991). This finding is consistent with previous research on US and European multi-nationals (Tung 1982; Brewster 1991). Recent European research highlights the importance of considering the 'family' factor in the selection and training practices of multi-nationals; yet, while most UK companies in a recent study claimed that they recognized the importance of this factor to successful performance in an international assignment, in practice only a minority reported that they actually took it into consideration in their selection decisions (Scullion 1991). Australian research, however, suggests that early recalls were attributed as much to a lack of technical skills as to the failure of the spouse to adjust (Dowling and Welch 1988). Interestingly, concern over re-entry was cited as a significant reason affecting expatriate performance in UK MNCs (Scullion 1993), reflecting the growing significance of repatriation problems for UK MNCs (Johnston 1991).

In Tung's study there were considerable national differences in the reasons cited for expatriate failure. In Japanese MNCs, for example, the inability of the spouse to adjust was not regarded as a significant factor affecting expatriate performance. This was related to the role and status of the spouse in Japan (Tung 1984). However, Dowling *et al.* (1991) suggest that other social factors may contribute to this finding. They argue that, because of the competitive nature of the Japanese education system, the spouse commonly opts to remain in Japan with the children. Tung also suggests that the lower team orientation of the Japanese companies

towards expatriation allows the Japanese expatriate more time to adjust to the foreign situation (Tung 1984). One weakness of the above literature is the relative failure to consider the effects of poor performance from the perspective of the expatriates themselves. Poor performance in the international assignment, or early recall, may lead to loss of self-esteem, self-confidence and prestige among peers. In addition, the expatriate's family relationship may be threatened (Dowling *et al.* 1994). This suggests that future research should take a broader perspective and should focus more on the expatriate perspective.

In an important review of the expatriate acculturation literature, Mendenhall and Oddou (1985) identified a major problem area in expatriate selection as being the ingrained practice to operate with the 'domestic equals overseas performance' equation. Technical expertise and domestic track record are by far the two dominant selection criteria. Mendenhall and Oddou conclude that the field of expatriate selection and training suffers from two interdependent problems: first, there is an inadequate understanding of the relevant variables of expatriate acculturation, which leads to a second problem, the use of inappropriate selection and training methods.

The overall purpose of Mendenhall and Oddou's review was to determine the key dimensions involved in the expatriate adjustment process and to examine the implications of these dimensions for the selection and training of expatriates. They concluded that there are four key dimensions in the expatriate adjustment process:

- 1 the self-oriented dimension
- 2 the others dimension
- 3 the perceptual dimension
- 4 the cultural toughness dimension.

Mendenhall and Oddou also make a number of recommendations concerning the selection and training of expatriates. First, selection procedures of MNCs should be changed from their present one-dimensional focus on technical competence as the primary criterion, to a multi-dimensional focus based on criteria relating to the factors identified in their review. Second, the toughness of the culture to which a future expatriate will be assigned should be assessed by comparing the host country's political, legal, socio-economic and business systems to those in the parent country. In practice, however, research suggests only a small minority of companies formally assessed a candidate's relational ability (Tung 1981; Scullion 1993). Given the research available (e.g. Hays 1974; Dowling *et al.* 1994) which links relational abilities to expatriate success, this suggests a significant weakness in the expatriate selection procedures of the majority of MNCs in the above studies.

A recent study by Rosen (1989) brings together the dimensions of

expatriate success identified by Tung and by Mendenhall and Oddou. In Ronen's model there are five categories of attributes of success: job factors, relational dimensions, motivational state, family situation and language skills. Ronen concludes, however, that the relative importance of each category is difficult to establish due to the problems in assessing expatriate and managers' evaluations and because of the lack of systematic evaluation of such data.

EXPATRIATE PERFORMANCE ASSESSMENT

The whole question of performance measurement and management in multi-national companies involves a complex range of issues (Schuler, Fulkerson and Dowling 1991) and research to date suggests that rigorous performance appraisal systems for expatriates are far from universal (Brewster 1991; Schuler *et al.* 1991). This is perhaps surprising, given the high costs of expatriate failure and the growing tendency to see expatriates as key human assets (Adler and Bartholomew 1992). The assessment of expatriate performance demands an understanding of the variables that influence an expatriate's success or failure in a foreign assignment. It has been argued that the three major variables include the environment (culture), job requirements, and personality characteristics of the individual (Schuler *et al.* 1991). Problems in cultural adjustment which may impact on the manager's work performance should be considered when assessing an expatriate's performance in a new job (Mendenhall and Oddou 1988).

The literature also identifies a number of principal constraints on strategic performance measurement and management in MNCs. These include the possible conflict between global and subsidiary objectives, the problem of non-comparable data between subsidiaries, the volatility of the international market, and variable levels of market maturity. These factors make objective appraisal of subsidiary (and expatriate) performance more complex. Further, it is important to reconcile the tension between the need for universal appraisal standards with specific objectives in local units, and to recognize that more time may be needed to achieve results in markets which enjoy little supporting infrastructure from the parent company (Schuler *et al.* 1991).

The criteria used for the performance appraisal of international managers in practice has received relatively little attention in the literature (Brewster 1991). It has been suggested that these criteria generally are a function of the nature of the assignment, the stages of international business development and the international HRM philosophy or approach of the MNC (Schuler *et al.* 1991). There would appear to be growing interest, however, in evaluating managers on the basis of subsidiary performance using achievement of long range goals rather than short term measures, such as profit or return on equity. In conclusion, it would seem that there are many

factors which impact the performance of expatriate managers and that, because of this complexity, it can be difficult to make fair evaluations and comparisons of managerial contributions (*ibid.*).

INTERNATIONAL MANAGEMENT TRAINING AND DEVELOPMENT

Expatriate training and development

The primary reason for international companies undertaking training and development programmes for expatriates continues to be the cost of expatriate failure (Dowling and Welch 1988). As Robock and Simmonds (1983) have noted,

however imperfect training may be as a substitute for actual foreign living experience, it is valuable if it can reduce the often painful and agonizing experience of transferring into another culture and avoid the great damage that culture shock and cultural misunderstanding can do a firm's operating relationship. (Ibid.: 562)

The need for expatriate training becomes clear if we understand the complexity of the role of the parent country national manager (Dowling and Welch 1988). The role of the PCN manager has been described as one of 'realising the expectation of a psychologically close, yet physically distant stakeholder in an environment containing other role senders who are psychologically distant, but physically close' (Torbiorn 1985: 59).

Two additional problem areas make training and development for international assignments more complex than that for domestic assignments. First, since the stress associated with a foreign assignment falls on all family members (Harris and Moran 1979; Harvey 1985), the issue of training programmes for the spouse and family needs to be addressed. Second, the growing significance of repatriation problems for many MNCs (Johnston 1991; Scullion 1992b) highlights the failure by international firms to develop training programmes to facilitate re-entry of expatriate executives into the domestic organization.

A comparative study of MNC training practices found that US MNCs tend to use pre-departure training programmes less frequently than European and Japanese firms (32 per cent, compared with 69 per cent and 57 per cent respectively) (Tung 1982). Dowling and Welch (1988) comment that the high expatriate failures among US executives are hardly surprising, in view of this relatively low level of training.

Cross cultural training has long been advocated as a means of facilitating effective cross-cultural interactions (Brislin 1986), yet in practice most firms do not use cross cultural training. Recent studies suggest that only around

30 per cent of US managers destined for international assignments receive cross-cultural training (Black 1988; Black and Mendenhall 1990). The main reason for the low use of cross-cultural training appears to be that top management just does not believe the training is either necessary or effective (Mendenhall and Oddou 1985; Dowling and Schuler 1990). The research evidence on the training of expatriates for international assignments in European MNCs suggests that European firms undertake more training (Torbiorn 1982; Tung 1982; Brewster 1991). A study of European MNCs highlighted that informal briefings were used by two-thirds of MNCs as standard policy and that formal training courses were used by nearly half. A more recent study of forty-five UK MNCs reported that over 60 per cent of firms undertook preparatory training for some expatriate assignments, although interestingly, this study reported that only 5 per cent of companies provided training for international transfers to other European countries (Scullion 1993). Some European MNCs use 'look-see' visits for their expatriate managers, and some companies arranged shadowing opportunities in which employees take responsibility for a business unit abroad before moving to the foreign country (Brewster 1991; Scullion 1994).

Several models of training and development for expatriate managers have been developed over the last decade. Some contingency models consider the task, the individual and the environment before deciding the depth of training required (Tung 1981). Rahimi's model (1983) makes a clear recognition of both internal and external influences on the training and development process. Mendenhall and Oddou (1986) have developed a 'cross-cultural training approach', consisting of three levels:

- 1 information-giving approaches (e.g. factual briefing and awareness training)
- 2 affective approaches (e.g. culture assimilation training, critical incidents and role plays)
- 3 immersion approaches (e.g. assessment centres, field experience, and simulations).

One advantage of this model over the previous contingency models is that it provides more specific guidelines. According to the model, the depth of training provided should depend on the length of stay, the degree required to ensure integration into the host culture and the cultural 'difference' of the host country from the home country (Mendenhall and Oddou 1986; Mendenhall, Dunbar and Oddou 1990).

International training and development for host country nationals and third country nationals

The shortage of 'international managers' is becoming an increasing problem for international firms (*International Management* 1986; Scullion

1992a). While the faster pace of internationalization was cited in a recent study as the primary reason for shortages by the majority of firms, half the firms cited failures to recruit effectively, retain and develop host country managers as a key reason to explain shortages (Scullion 1994). A number of factors make the recruitment of IHCN managers more difficult and costly compared to recruiting in the home country. These include the following: lack of knowledge of local labour markets, ignorance of the local education system and the status of qualifications, language and cultural problems at interviews, and trying to transfer recruitment methods which work well at home to foreign countries (Scullion 1992a; Dowling and Schuler 1990).

Many international firms have tended to neglect the training and development needs of their host country managers and focus virtually all of their management development efforts on their parent country national managers (Schaeffer 1989). The literature highlights three important lessons for international firms which are seeking to provide management training and development for IHCNs and TCNs. First is the need to avoid the mistake of simply exporting parent-country training and development programmes to other countries (Dowling and Schuler 1990). Second, the management development programmes for host country and third country nationals need to be linked to the strategic situation in each country, as well as to the overall strategy of the firm (Scullion 1992b). Third is the need to utilize much further the practice of developing host country managers through developmental transfers to corporate headquarters. It has been argued that this type of international transfer exposes IHCNs and TCNs to the headquarters' corporate culture and facilitates their developing a corporate perspective (Oddou and Kerr 1993). It has also been argued that this approach to development can be very effective in helping to develop global management teams, and is a necessary part of successfully operating a truly global firm (Edstrom and Galbraith 1977).

Oddou and Kerr's (1993) study of European MNCs' strategies for internationalizing managers identifies the need for a closer study of the barriers to bringing foreign nationals to head office. For example, relocating dual-career couples is becoming nearly a world-wide issue for many multinational firms (Dowling and Schuler 1990). Also, some cultures are less mobile and less willing to move. The type of incentive and compensation packages for those 'hard-to-move' high-potential managers will also be an important dimension in a company's ability to bring people to the corporate office (Oddou and Kerr 1993).

Strategies for internationalizing managers

A recent study of UK MNCs identified five main strategies by firms to respond to the shortages of international managers (Scullion 1997b):

rationalization in the UK, which created uncertainties regarding re-entry; the growing unwillingness to disrupt the education of children, the growing importance of quality of life considerations, and finally, continued uncertainty regarding international terrorism and political unrest (Scullion 1992b).

At the present time, concerns about dual-career problems and disruption to children's education are seen as major barriers to future international mobility by many companies (Harvey 1985; Coyle 1988). In the past, working spouses were less common, generally female, and were prepared to follow their partner's career transfers. More frequently now, however, spouses must also leave a job or career in order to follow their partner to a foreign country (Hall and Richter 1988; Hall and Hall 1987). The growing significance of the dual-career problem can be illustrated by two developments. First, more and more women have or seek careers, not just jobs. For many, it would be impossible to continue their careers in a foreign country (Devanna 1987). Increasingly international mobility is limited by the dual-career factor, which also poses restrictions on the career development plans of multi-nationals. Second, there is some evidence to suggest that families are less willing to disrupt their personal and social lives than was the case in the past (Barham 1991; Brewster 1991; Coyle 1988). This discussion suggests that restrictions on international mobility appear to be growing just at the time when the need for international mobility is becoming vital for the internationalization of UK businesses, and that the problem of international mobility could emerge as a key factor in determining the international capability of a firm (Scullion 1992b).

'The Single European Market' – the HRM challenge

In the late 1980s there was much talk of the need to create 'Euro-managers' in time for 1992. Storey (1992) highlights that experienced 'international managers' were, however, inclined to refer to the 'myth' of the Euro-managers. While the notion of the Euro-managers may not quite be a myth, it has been argued that recruiting and retaining international managers involves the broad span of HRM motivation, recruitment, rewards -- and welfare. Making managers is closely linked to the whole question of managing the management 'stock' (ibid.).

This argument finds support from an empirical study which asked forty-five UK companies to identify the main HRM challenges they faced arising from the advent of the Single European Market. Eighty per cent of firms felt that the main challenge was to secure an adequate supply of international managers, and over 70 per cent of companies identified recruitment as a priority area. A majority of firms said they needed to upgrade management skills and competences in order to compete effectively in the and there are particular concern over the

managerial skills and competences needed to deal with the complex HRM issues and problems associated with the growth of international joint ventures and strategic alliances (Burnois 1992; Burnois and Chataut 1990). These issues will be briefly examined in the final section.

The above discussion suggests that the most formidable task facing UK companies wishing to operate abroad is the recruitment and development of a broad cadre of managers and executives who understand and can operate effectively in the international market. Further, the main conclusion from most current reviews is that companies need to take a strategic approach to management development (Storey 1992). In practice, the impact of the Single European Market on HRM strategy varies according to the stage of internationalization and the overall strategy of the firm (Scullion 1992b). Most multi-national firms traditionally pass through various stages of internationalization, during their evolution from a domestic to a truly global organization (Negandhi 1987). For some well-established international firms and transnationals, the impact of the Single European Market on HR strategy was marginal rather than central. By contrast, for 'new' international firms, which had internationalized in the recent past with a European focus, the Single Market represented a major HR challenge.

NEW INTERNATIONAL BUSINESS ARRANGEMENTS AND HRM

The 1980s were characterized by a proliferation of new forms of international business activity. These new forms were primarily non-equity arrangements such as joint ventures, collaborative arrangements, strategic alliances, licensing agreements, management contracts and subcontracting (Young and Hamill 1992; Enderwick and Barber 1992). This section will briefly examine some of the HRM issues associated with international joint ventures (IJVs) and strategic alliances, as it has been argued that the effective management of human resources is a critical factor determining the success or failure of these arrangements (Shenkar and Zeira 1987).

A variety of reasons (motivations) are cited in the literature for firms entering into IJVs. The most important reasons which are summarized by Schuler *et al.* (1991) are:

- to gain rapid market entry
- to increase economies of scale
- to gain local knowledge
- to gain market image
- host government pressure
- to obtain vital raw materials
- to improve competitive advantage in the face of global competition

- to develop cost effective and efficient responses to the globalization of markets.

For many firms, several of these reasons apply at the same time (ibid.).

Despite the rapid growth of IJVs over recent years, many companies still actively avoid joint ventures, preferring 100 per cent ownership to the drawbacks of loss of control and profit that can accompany shared ownership (Gomes-Casseres 1989). In addition, research has indicated relatively high 'failure' rates of IJVs – figures of 30–50 per cent are typically cited (Killing 1983; Dutton 1988). Failure rates are difficult to measure, however. Joint ventures can be deemed successful in spite of poor financial performance; conversely, they can be considered unsuccessful in spite of good financial performance (Schuler 1991). The rapid increase in international partnerships among competitors does not, however, necessarily imply the dawn of a new cooperative era in the global economy (Ohmae 1985). Pucik (1988: 244) argues that the change from competitive to collaborative strategies is often a tactical adjustment aimed at specific market conditions. The potential competitive relationship between partners distinguishes strategic alliances that involve *competitive collaboration* from more traditional complementary ventures.

HRM and international joint ventures

Lorange (1986) suggested there will be several HRM policy issues associated with managing international joint ventures:

- assignment of executives
- evaluation and promotion of managers
- the type of control system used
- the loyalty of managers to the joint venture or to their respective parents
- the expected time for managers to spend on strategic versus operational issues.

The issue of manager loyalty has emerged in several studies (e.g. Kanter 1989). From the parent company perspective, control of the joint venture can be sought by appointing managers who are loyal to the parent company. Loyalty to the parent company, however, cannot be guaranteed: 'The ability to appoint the joint venture general manager increases the chances that the parents' interests will be observed, but it is no guarantee that the joint venture general manager will always accommodate that parent's preferences' (Schaan 1988: 14). The global versus local balance issue has been addressed in terms of MNC control systems by Doz and Prahalad (1986). They recognize the difficulties of managers being sensitive to local conditions and loyal to the parent company, arguing for 'strategic control variety', which involves adapting control systems to fit three dimensions in MNCs:

- 1 the type of business
- 2 the type of subsidiary
- 3 the ownership of the venture.

It is suggested that there will be differences in HRM activities and local/global perspectives depending on the type of venture (ibid.).

Shenkar and Zeira's review of the literature (1987) identifies a number of potential HRM problem areas in IJVs (similar to the issues highlighted by Lorange). These are staffing, promotion, loyalty, delegation, decision-making, communications and compensation. Their review also highlights the limitations of the literature. In particular, it indicates that the conclusions of these studies are narrowly based on research conducted at a limited number of IJVs in a few countries. Three further points can be made on the review. First, these findings were not the result of research primarily concerned with human resource management issues in international joint ventures. Second, they were largely based on research conducted in US–Japanese joint ventures, which may not be typical of IJVs. And third, they have very much a 'problems' or 'difficulties' orientation, and rather neglect the broader set of HRM issues associated with international joint ventures (Beaumont 1991).

More recently, it has been argued that collaboration may provide an opportunity for one partner to internalize the skills of the other (Hamel 1991). It is suggested that the strategic agenda for the HRM function in firms involved in international alliances should be centred around the process of learning. In the context of competitive collaboration, the competitive advantage of the firm can only be protected through the organization's ability to accumulate invisible assets through international learning. Given the importance of knowledge acquisition and skill-building within international alliances it has been argued that the transformation of the HR system to support the process of organizational learning is the key strategic task currently facing the HR function in many multi-nationals (Pucik 1988).

To conclude this brief review of international joint ventures and HRM, we can suggest that the growth of new forms of international business operations has significantly increased the demand for senior managers with international experience (Enderwick and Barber 1992). At the same time, these new business forms demand additional abilities, placing a premium on cultural empathy, negotiating skills, awareness of the difficulties of managing from a minority position, and a broader understanding of the people side of the business (Lane and Beamish 1990). It has been argued that IJVs should ideally be staffed with managers who are flexible in terms of different management styles and philosophies (Lei and Slocum 1991). The major conclusion of this review of human resource management practices in international joint ventures is that practice is running well ahead

of research in this subject area, and that further research is essential to help close this gap (Beaumont 1991).

CONCLUSIONS

This chapter has reviewed recent research on the human resource management issues and questions arising from the internationalization of business. The research has been uneven in the areas covered and to date, the majority of international HRM research has focused on two related areas. The first is international staffing, which primarily deals with the problems of selecting and managing expatriate managers. The second is international management development. Two areas which have been little covered in the literature and which need to be addressed by researchers are international career management and the influence of human resource planning on international staffing.

It has been argued that much of the international HRM literature is still open to the criticisms of Schollhammer (1975), as being:

- 1 descriptive and lacking in analytical rigour
- 2 *ad hoc* and expedient in research design and planning
- 3 self-centred, in the sense that the existing research literature is frequently ignored
- 4 lacking a sustained research effort to develop case material

In addition, it is still the case that the bulk of international HRM research has been conducted by American researchers, has primarily been concerned with American expatriates, and continues to be written from an American rather than an international perspective (Boyacigiller and Adler 1991).

While it is recognized that the international HRM issues which have been researched are of practical importance to personnel managers, this work has been recently criticized by Kochan *et al.* (1992) as focusing too narrowly on functional activities and as lacking appropriate theoretical structures. Indeed, they suggest that much of the international human resource management literature suffers from the same conceptual and normative limitations of much of the traditional domestic personnel research, and that the work is largely an extension of the field of personnel management designed to meet the needs of international companies.

In summary, the essence of the critique of Kochan *et al.* is that the current literature in international HRM defines the field too narrowly. In addition to their concern that the research is influenced by a discussion of concepts and issues, with little backing in systematic research, they argue that a new field of international human resource studies should be built round a broader set of questions, which should consider the lessons and outcomes for *all* stakeholders not just multi national firms, and their managers.

A further criticism of the international HRM literature is the failure to deal adequately with the management of managers as employees. Edwards *et al.* (1993) point out that problems of control and autonomy affect managers as much as other groups of workers, and argue that the industrial relations approach provides an analytical perspective which is capable of treating managers as employees. It is also suggested that this approach enables researchers to be more sensitive to and better able to understand the dynamics of the management process in MNCs (Edwards *et al.* 1993).

Despite the criticisms of international HRM research set out above, it can be argued that considerable progress has been made, given the relatively recent emergence of the discipline. There has been a growing awareness of the importance of HRM in the global arena and a greater understanding of the international dimensions of HRM (Dowling *et al.* 1994). The trend over recent years has been to extend the linkage of HRM with business strategy into the international arena. This chapter has suggested that international human resource management, like human resource management strategy generally, must be linked to the strategic evolution of the firm. This applies equally to small and medium-sized firms, as well as to emerging transnationals. It has highlighted some of the HRM issues and challenges which firms face as they undergo the internationalization process. It also suggests that, for UK multi-nationals, the recruitment and development of 'international managers' will be the key challenge of the 1990s.

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12 Creating international managers

Recruitment and development issues*

Hugh Scullion

INTRODUCTION

While the effective management of human resources is increasingly being recognized as a major determinant of success or failure in international business (Tung, 1984) in practice many organizations are still coming to terms with the human resources issues associated with international operations (Dowling 1986). In the international arena the quality of management seems to be even more critical than in domestic operations (Tung 1984: 129). This is primarily because the nature of international business operations involves the complexities of operating in different countries and employing different national categories of workers (Morgan 1986: 44). Yet while it is recognized that HRM problems become more complex in the international arena there is evidence to suggest that many companies underestimate the complexities involved in international operations. The field of international HRM is, however, only slowly developing as a field of academic study and has been described by one authority as being in the infancy stage (Laurent 1986: 91). Moreover, there is relatively little empirical research which documents international HRM strategies and practices of international firms – particularly firms which have their headquarters outside North America.

This article reports some of the findings from a recent study of international HRM in British and Irish based international firms. One particular feature of the study was the exclusive focus on managing international managers. Particular attention is given to three key issues in the area of international HRM: international staffing, international recruitment and the variety of issues surrounding the problem of shortages of international managers. It will also briefly consider the nature of the HRM challenges facing companies in the light of the internal European market.

A study of how companies deal with the international HRM issues outlined above is particularly appropriate for the following reasons:

1 *The international staffing process is of considerable importance to an international firm.*

Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. If we are successful in solving this problem, I am confident we can cope with all others.

(Duerr 1968: 43)

The staffing problems facing international firms are more complex than in domestic firms and inappropriate staffing policies may lead to difficulties in managing overseas operations. The international literature indicates that expatriate failure is a persistent and recurring problem, particularly for US multinationals (Mendenhall and Oddou 1985; Desatnick and Bennett 1978; Tung 1981). Frequently the human and financial costs of failure in the international business arena are more severe than in domestic business. In particular indirect costs such as a loss of market share and damage to overseas customer relationships may be considerable (Zeira and Banai 1984).

2 Shortages of international managers is becoming an increasing problem for international firms. A survey of 440 executives in European firms claimed that a shortage of International managers was the single most important factor constraining corporate efforts to expand abroad. Almost one third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation (*International Management*, November 1986). The findings of the survey suggest that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers (Hamill 1989: 18).

3 There is little empirical research on the international HRM issues associated with the management of managers in British and Irish international firms, especially in relation to the considerable literature on international HRM in US firms.

4 The advent of the internal European market and the rapid growth of British direct investment abroad since the early 1980s means that issues of international staffing, recruitment and development are increasingly important concerns in a far wider range of organizations than the traditional giant multinationals. International HRM problems are becoming increasingly important for a growing number of smaller and medium sized companies who have significantly internationalized their operations in recent years.

RESEARCH METHODOLOGY AND SAMPLE

The principal research method was structured interviews with each company's corporate personnel or human resources director or alternatively with a senior

corporate HR executive. The majority were conducted in 1990 with the remainder in 1991. The duration of interviews varied from two hours to three and a half hours. During each interview information on company structure and international operations was sought. The interviewer also asked questions concerning international staffing, expatriate performance, international HRM policies and international management development.

These questions were adapted from a study by Tung (1981) and through consultation with a number of international HRM practitioners. The purpose of the questions was to provide a structured basis for each interview and responses to questions were noted by the interviewer. Interviewees were not asked to fill in a questionnaire. Additional information was obtained from company reports, company documents such as international personnel policies and newspaper articles.

Forty-five international companies participated in the study. Forty companies were UK owned and five were Irish owned international firms. The sample was specifically chosen to include companies from both the manufacturing and the service sector. Twenty-six companies in the study were primarily manufacturing firms and sixteen were service sector firms. Two oil companies and one mining company also participated. The size of the companies in this international firm sample ranges from medium to very large. The total number of employees ranges from 9,500 to 240,000. The smaller size of the Irish international firms and their relatively recent internationalization were two principal reasons for their inclusion in the study. For the sample as a whole there was a wide range in the number of countries the companies operated in and in the length of time of international operations.

INTERNATIONAL STAFFING POLICIES AND PRACTICES

International firms face three alternatives with respect to the staffing of management positions abroad; the employment of parent country nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs). Much of the existing research focuses on the advantages and disadvantages of using expatriates as opposed to local managers and identifies a range of host country, company and individual factors as important to consider in international staffing decisions. Most studies are, however, largely inconclusive on the question of when parent country nationals should be sent abroad (Boyacigiller 1990).

The findings of the present study on staffing practices in UK and Irish international firms reveal that a majority of the companies continued to rely heavily on expatriates to run their foreign operations. The research findings showed that while almost 50 per cent of companies had formal policies which favoured using host country managers to run their foreign operations, in practice just over a third operated with HCNs in senior management positions in their foreign operations. In other words, two-thirds of the companies relied

primarily on expatriates to run their foreign operations. Furthermore, the trend has moved in the direction of greater use of expatriates. Half of the companies in the sample (22 out of 45) reported an increase in the use of expatriates over the previous decade and only 20 per cent indicated that they had reduced their use of expatriates. The remainder reported no significant change.

These findings raise serious questions about the ability and commitment of some British multinationals effectively to identify and develop host country managers in their foreign operations. Therefore the recruitment, selection and development of host country managers emerges as a vital issue for British and Irish multinationals given the need to develop global teams with a variety of different perspectives and competencies. The findings of the present study on staffing practices in British and Irish firms reveal sharp differences with American experience. Indeed recent work by Kobrin suggested that the tendency of American multinationals to reduce the numbers of expatriates had gone too far. He argued that American firms have tended to substitute HCNs to replace expatriates primarily in response to the difficulties American managers have experienced in adjusting to other cultural environments (Kobrin 1988: 66). Kobrin recognized that increased use of host country managers may in part reflect the cost of maintaining expatriates abroad, the greater sensitivity of local managers to local culture and local market needs and the growing international maturity of some multinationals. It is suggested however that expatriate reduction may result in American multinationals facing reduced identification with the world wide organization and its objectives, difficulties in exercising control and a lack of opportunities for American managers to gain international experience abroad. The principal concern is that American multinationals could face major strategic management control problems where managers identified with local units rather than with global corporate objectives (Kobrin 1988: 68-73).

The present study identified a number of principal reasons for employing expatriates. The first was the lack of availability of management and technical skills in some countries. There was a greater tendency for companies to use expatriates in less developed countries due to the weak pool of available local management talent. This was also true for those companies who used host country managers to run their foreign operations in advanced countries. The second major reason cited for using expatriates was the objective of control of local operations. Thirty-three out of forty-five firms in the present study identified control as a key reason for their use of expatriates. Expatriates were felt to be more familiar with the corporate culture and the control system of headquarters, and this was felt to result in more effective communication and coordination. Indeed, a key role for senior expatriates was to train local managers to understand corporate financial and control systems. This point is illustrated by the following comment from the human resource director of a financial services company:

The main advantage of using expatriates is that they understand our (corporate) culture and reporting systems and they teach the locals how to relate to the centre. This is vital when you are establishing a new foreign business.

This finding on the importance of control is consistent with previous research on European multinationals which shows control to be an important reason for expatriate transfers (Torbjorn 1985, Brewster 1988). Yet in previous research only rarely has control been identified as an important aim of expatriate assignments. This probably reflects the North American origin of much previous research and the tendency of some managers and researchers to view control as a rather disreputable rationale for using expatriates (Brewster 1991: 34).

A further key reason for using senior expatriates was to maintain trust in key foreign businesses following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquisitions by comparison with greenfield sites (Hamill 1989: 22). The emergence of trust as a major factor is related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s. For example, in the late 1980s a UK brewing and leisure company emerged as one of the world's leading hotel groups following a massive £2 billion acquisition of a global hotel chain. In this example a major reason given for using expatriates to run the acquisition was 'the need to have the peace of mind which comes from having our people running such a large and strategically important investment'. There was often an unwillingness to allow newly acquired foreign businesses to be run by the existing host country national management primarily because they were not known well enough and their loyalty to the business was not proven.

The research also found that using expatriates for management development purposes was important and was increasing in significance for British multinationals. Thirty-four out of forty-five companies reported that expatriates were used for development purposes and twenty-five of these firms claimed that use of expatriates for this purpose was becoming more important. This reflects the tendency of British companies to see expatriation as part of the career development process. In this context, it is interesting to note that in most cases the management of expatriates was the responsibility of the corporate human resource function. This was the case even in some highly decentralized organizations (e.g. engineering companies) where the corporate human resource role was rather limited.

One very recent trend identified by the research was the tendency for companies to give younger managers international experience much earlier in their career than previously. Over half of the companies in the sample (26 out of 45 companies) reported significant changes in this respect. This was linked to the growing problems of mobility (spouse's job, children's education, etc.) for older managers. This also reflects the strategy of some companies to

broaden the opportunities for international development and the growing recognition in some quarters that the payback on the investment of a developmental assignment may well be greater with a younger manager.

The performance of foreign subsidiaries also emerged as a significant factor influencing the use of expatriates. There was a greater tendency for the companies in the sample to use senior expatriates where the acquired business had been under-performing before the foreign acquisition. Similarly, poor performance by host country managers in the post-acquisition phase was cited as an important reason for them being replaced with expatriates. This is well illustrated by the case of a major UK food and drinks company which made two very large acquisitions in the USA in the late 1980s. The first acquisition was a global drinks business with its headquarters in the USA, and the second was a large US food business. The staffing policy differed sharply in the two acquisitions. In the former case the existing management team (composed entirely of host country managers) continued to run the business. In the words of a corporate HR executive: 'In this case, we inherited an excellent management team who were achieving first-class results. Why change a winning team and upset morale by introducing expatriates?' In the second case, by contrast, the entire US management team was replaced by expatriates, 'mainly due to poor financial results and weak managerial performance'.

Another factor influencing the approach adopted by companies was a strong expectation on the part of major foreign customers (and sometimes foreign governments) that the top managers in their country should be parent country nationals. Thirteen of the sixteen international firms in the service sector and a minority of manufacturing firms (6 out of 26) said they had taken this into account in deciding their policy. Public relations and marketing were usually the key roles in this context. Previous research has largely ignored this factor because it has concentrated on the very largest multinationals and tended to neglect the service sector (Brewster, 1991: 33).

For example, two Irish banks operating in the USA felt there were considerable marketing and public relations advantages in using expatriates, given their marketing strategy of targeting the ethnic Irish population. In the banking, insurance and finance areas, British companies reported that in many countries major foreign customers frequently had a strong preference for their senior executives to be British expatriates.

There is also strong evidence from the present research that expatriates are more likely to be used in the early stages of new foreign operations. This is consistent with previous research which shows this practice is common in the early stages of internationalization where a company is setting up a new business, process or product in another country and prior experience is considered essential (Zeira 1976). A majority of firms indicated that control and trust were particularly important in the early stages of internationalization. In the present study this factor had become more significant due to the rapid growth of international business in the last decade.

Nearly half of the companies (21 out of 45) also cited weaknesses in their training and development of host country national and third country national managers to explain their continued use of expatriates, despite their having a formal policy to replace expatriates with host country managers after the start-up phase. A typical comment in this respect came from a pharmaceutical company:

The training and development of host country nationals and third country nationals is a major weakness in achieving our objective of localising management in our operating companies.

SHORTAGES OF INTERNATIONAL MANAGERS

It was argued above that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers. In the present study two-thirds of the companies (30 out of 45) said that they had experienced shortages of international managers and over 70 per cent indicated that future shortages were anticipated.

While the faster pace of internationalization was cited as the primary reason for shortages by thirty-four out of forty-five firms in the sample, the findings suggest that over half the firms (24 out of 45) reported that failures to effectively recruit, retain and develop host country managers was another key reason to explain why shortages exist. A number of factors make the recruitment of host country managers more difficult and costly compared to recruiting in the home country. These include the following: lack of knowledge of local labour markets; ignorance of the local education system and the status of qualifications; language and cultural problems at interviews; trying to transfer recruitment methods which work well in the UK to foreign countries.

Many international firms have tended to neglect the training and development needs of their host country managers and focus virtually all of their managerial development efforts on their parent country national managers (Shaeffer 1989: 29). Twenty-six out of forty-five firms in the sample reported that weaknesses in their training and development in respect of host country managers had contributed to shortages of international managers. The failure to develop local managers effectively was frequently given by British multinationals as a reason for continuing to use UK expatriates in similar management positions rather than using local managers. Alternatively this could be interpreted as something of an excuse for their preference to use expatriates beyond the development phase of international operations.

The present research highlighted three important lessons for those international firms who are seriously attempting to provide management training and development for HCNs and TCNs. First, is the need to avoid the mistake

of simply exporting parent country training and development programmes to other countries. This point is illustrated by the following comment from the personnel director of a large chemical firm:

We have learned from some tough experiences that training and development programmes for local managers must be culturally adapted to local conditions.

Second, the management development programmes for HCNs and TCNs need to be linked to the strategic situation in each country as well as to the overall strategy of the firm. This need to take account of a variety of foreign product market situations superimposed upon the overall strategic thrust of the firm adds considerably to the complexity of devising appropriate management development programmes. Third, is the need to utilize much further the practice of developing host country managers through developmental transfers to corporate headquarters. It has been argued that this type of international transfer exposes HCNs and TCNs to the headquarters corporate culture and facilitates their developing a corporate perspective rather than simply reflecting their own local interests (Dowling and Schuler 1990: 109).

It has also been argued that this approach to development can be very effective in helping to develop global management teams and a necessary part of successfully operating a truly global firm (Edstrom and Galbraith 1977, Prahalad and Doz 1981). The present research indicated however that, a majority of British companies were still failing to recognize the need to develop high potential HCN managers beyond the opportunities which exist in their own countries and this exacerbates the problem of attracting and retaining high potential young managers in the host countries.

RESPONSES TO THE SHORTAGES OF INTERNATIONAL MANAGERS

Nineteen of the forty-five companies had responded to the shortage of international managers by attempting to identify managers of high potential at an earlier stage in their career and by giving them international experience at a much younger age. Over one third of the companies reported that they were sending young managers of high potential on international assignments partly for developmental purposes. This was in sharp contrast to the previous practice when many MNCs relied on developing a cadre of career expatriates who moved from one international position to the next. The trend towards giving younger managers the opportunity for international experience earlier in their careers was often part of a more general trend to give international experience to a wider range of managers and not just to a relatively small group of expatriates. Increasing numbers of international firms were also using short term developmental assignments in order to develop larger pools of employees with international experience.

Another significant response to the shortage of international managers was

the rapid growth in importance of external recruitment to fill management positions abroad. Until a few years ago the majority of firms had relied almost exclusively on internal recruitment for foreign management positions. British MNCs traditionally had a strong preference for internal managers for expatriate management positions, as they had well known track records and their loyalty to the company was proven. Over a quarter of the firms (13 out of 45) in the study had, in the past five years, introduced external recruitment to fill management positions abroad and several others were planning to do so. Financial services companies were a good example of this. Some of these companies had rapidly internationalized relatively recently and felt they had to recruit externally at senior level to establish their foreign operations.

A third response to the shortages of international managers by fourteen of the forty-five companies was to attempt to sell themselves more effectively to graduates through various types of marketing designed to highlight the international nature of their activities (e.g. in graduate recruitment brochures and in national press advertising). This type of marketing highlighted the prospects of early international experience to attract graduates seeking an international career. This can be illustrated by the example of the two textile companies who had a policy of sending young graduates on international assignments within three or six months of joining the firm. This policy was very effective and was designed specifically to recruit high potential young graduates who were particularly interested in an international career. The corporate human resources director of one of the textile companies commented:

Textiles is not a particularly fashionable industry. We are competing for the best graduates with companies who enjoy a more glamorous image. The fact that we can offer the opportunity of very early international experience is the main reason we can attract some high potential graduates when the big guns, such as Shell, BP, and ICI, are fishing in the same pool.

A minority of companies (8 out of 45) were also broadening their sources of graduate recruitment to include some continental European countries and this reflected their anticipation of a growth in the competition for high potential graduates following the advent of the internal market in 1993. Two computer companies had recently introduced Euro-graduate management development programmes. A feature of these programmes was that graduates were recruited from several European countries for a two-year period of training and development in the UK. On completion of their training graduates were transferred to a management position in a third country. The need to develop more flexible succession planning systems to support the development of Euro-graduates was identified as an important issue by both firms operating this type of programme.

There was also growing recognition of the importance of developing effective international management development programmes to help secure

an adequate supply of international managers. The majority of firms reported that they were spending more money and time on international management education, particularly for top and senior management. These firms were using a combination of internal and external international management development programmes. One interesting feature of these programmes was that teachers frequently came from prestigious foreign business schools in Europe and the USA, as well as from internal sources. But, perhaps surprisingly, only three out of the forty-five firms claimed they had effective systems for evaluating their international management development programmes.

The introduction of language training for top, senior and middle levels of management by the majority of companies in the study was seen as an important development in the light of the acute shortages of international managers with language skills. This suggests that the importance of language training is increasingly being recognized by British multinationals. This finding is in sharp contrast with studies of American MNCs which found that only a minority of US MNCs felt that knowledge of foreign languages was necessary for conducting business abroad (Baker 1984; Tung 1981; Brewster 1991). Increasingly it was recognized that language training increased the effectiveness of staff working abroad and helped them relate more easily to a foreign culture. There was also a growing awareness that language training promoted a better image of the MNC in the host country.

There were two areas, however, where the companies were clearly failing to take effective action to ease the acute shortage of international managers. First, there was no evidence that British MNCs were taking serious steps to increase the proportion of women in international management. International management has long been a masculine preserve in Europe and the USA. Adler's study estimates that under 3 per cent of North American expatriates are female (Adler 1984: 81). In the present study no company claimed to have more than 3 per cent female expatriates. Indeed, the evidence suggests that women in British multinationals are not making as much progress in international management as women in American multinationals. For example, in the US banking and financial sector there has been a significant increase in female expatriates (Adler 1984: 83-4). The under-representation of women in international management is illustrated by a quote from a woman HR executive of a UK pharmaceutical company:

In the UK, the majority of marketing staff are women. By contrast, in our foreign operations, the vast majority of marketing staff are male. Companies still tend to shy away from using female expatriates because of fears that women will not be accepted in some countries and the major problem of disrupting the career of their partner.

The lack of willingness to recruit and develop women as international managers is worrying as recent research suggests that, in many ways, women are well suited to international management. This research suggests that

women are more sensitive to cultural differences and are therefore more able to work effectively with managers from other countries (Barham and Devine 1991: 24).

The second area which impacts on the supply of internationalists is the failure by many companies adequately to address repatriation problems. The repatriation of managers has been identified as a major problem for multinational companies in the UK and North America (Adler 1986; Harvey 1989; Hamill 1989; Johnston 1991). Over 70 per cent of the firms (33 out of the 45) in the present study said they faced significant problems regarding re-entry. Further it was generally recognized that this may lead to low morale and a higher turnover of expatriates. For example, only three of the firms claimed that repatriates had no difficulty reintegrating into the UK organization. A key problem for the majority of companies was finding suitable posts for repatriates of similar status and responsibility to those they held abroad. For many UK MNCs this problem had become more acute in recent years because, for many of the companies, expansion of overseas operations had taken place at the same time as the rationalization of UK operations, thereby reducing the number of senior posts in the UK. Other problems associated with reintegrating into the UK, are loss of status, loss of autonomy, loss of career direction and a feeling that international experience is undervalued by the company.

Further there was growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry, managers will be more reluctant to accept the offer of international assignments. Research in North America indicates that 20 per cent of all managers who complete foreign assignments wish to leave their company on return (Adler 1986). This was a growing problem for UK multinationals, particularly when many companies are willing to pay a premium to attract the experienced international manager. Yet while it is widely accepted that the costs of expatriate turnover are considerable, very few firms had introduced formal repatriation programmes to assist managers and their families with repatriation difficulties. Similarly, very few companies had introduced mentor systems to check the career progression of the international manager. Many expatriate managers were concerned about losing out on opportunities at home and in some companies this was a constraint on their willingness to go abroad. Clearly UK companies need to give a higher priority to the issue of repatriation in order to encourage international mobility and to help secure an adequate future supply of international managers.

BARRIERS TO INTERNATIONAL MOBILITY

This section will briefly consider the reasons why shortages of international managers are expected to continue in the future. In particular it will examine the growing restrictions on international mobility and their significance for the international capability of the firm. Over 70 per cent of the firms (34 out

of 45) reported that they anticipated shortages of international managers over the next five-year period. There was a growing concern on the part of many firms that the pace of internationalization would further outstrip the supply of international managers. The demographic time-bomb, the growing internationalization of European firms, and the advent of the internal European market in 1993, led firms to expect a more international and competitive market for managers and graduates. For example, one financial services corporate HR executive expressed the problem like this:

Attracting and retaining high potential graduates and managers with international experience is vital if we are going to implement our corporate objective of achieving a much stronger presence in Europe. The problem is that the pool of available talent is not growing fast enough to meet demand.

The same executive commented:

In the short run we have to ensure that our reward package becomes internationally competitive, but this will not be enough. We need to look at new sources of labour supply such as women, host country managers, third country nationals and reduce our dependency on expatriates.

The problem of ensuring an adequate supply of international managers is further exacerbated by growing resistance to international mobility. Indeed it was suggested by twenty-six out of forty-five firms in the sample that individuals were becoming less internationally mobile just at the time when there was a growing need for international managers because of expansion abroad. The reduction in international mobility was attributed to several factors including continued rationalization in the UK which created uncertainties regarding re-entry; the growing unwillingness to disrupt the education of children; the growing importance of quality of life considerations and finally, continued uncertainty regarding international terrorism and political unrest. Indeed concerns about dual career problems and disruption to children's education were seen as major barriers to future international mobility by many companies. In the past working spouses were less common, generally female, and were prepared to follow their partners' career transfers. More frequently now however, spouses must also leave a job or career in order to follow their partner to the foreign country (Hall and Richter 1988; Hall and Hall 1987). The growing significance of the dual career problem is well illustrated by a quote from the HR corporate executive of a large oil company: 'Nowadays families are less willing to disrupt personal and social lives even where they accept that international experience will enhance the manager's career prospects.' And a banking HR executive described the problem in these words:

More and more women have careers and not just jobs. For many it would be impossible to continue their careers in a foreign country. Increasingly international mobility is limited by the dual-career factor. Also we need to

recognize that dual career problems can seriously affect career development plans for our international managers.

Two further restrictions on international mobility are illustrated by the following quote from an HR executive of a chemical firm:

It's becoming more common for offers of foreign assignments to be rejected because the location does not appeal to the family and when managers are willing to go abroad they are much more demanding about all aspects of the remuneration package.

The above discussion would suggest that restrictions on international mobility appear to be growing just at the time when the need for international mobility is becoming vital for the internationalization of UK business. Indeed the problem of international mobility could emerge as a key factor in determining the international capability of a firm.

1993 - THE HRM CHALLENGES

In the present study companies were asked to identify the main HRM challenges they faced arising from the advent of the internal European market in 1993. For 80 per cent (36 out of 45) of firms that the main challenge was felt to be securing an adequate supply of international managers. A majority of firms said they needed to upgrade management skills and competencies in order to compete effectively in Europe and many companies were concerned about the poaching of graduates and managers by firms based in continental Europe.

Over 70 per cent of companies (33 out of 45) identified recruitment as a priority area. It was felt that the SEM would intensify competition for labour, increase mobility of labour and increase pressure on UK salaries. While some companies identified a number of positive opportunities presented by 1992, namely an increase in opportunity to recruit labour and management from other European countries, the majority of firms felt there would be a net loss of staff to continental Europe. A small minority of companies were seeking to develop a pan-European approach to recruitment but were facing many practical problems such as which journals to advertise in and which qualifications to ask for. In addition there is a problem of the profile of a company abroad, because a company which is well known in the UK may be much less well known in other countries.

The need to develop a more international top management team to reflect the growing international nature of the business was increasingly recognized as a major challenge because, at the present time, very few British companies could claim to have a truly international top management team. Similarly a growing concern was the need to assess what new knowledge, skills and competencies are required to operate effectively in the internal European market. There was also growing anxiety about the managerial skills and

competencies needed to deal with the complex HRM issues and problems associated with the growth of international joint ventures (e.g. the evaluation and promotion of managers and the problem of conflict of loyalty of managers to the joint venture or to the parent companies).

There was also a growing recognition by the companies of the need to understand the importance of cultural differences within Europe. This is particularly interesting in the light of the finding that only a very small minority (3 out of the 45) of companies currently use cross-cultural training to help prepare managers for international transfer within Europe. By contrast, it was much more common for firms to provide cultural training for transfers to countries in the Far and Middle East, where the culture gap was seen to be greater. Specialist external courses were often used but not for international transfers within Europe.

The above discussion suggests that the most formidable task facing British companies wishing to operate across Europe is the recruitment and development of a cadre of managers and executives who understand and can operate effectively in the international environment. In practice, the impact of the SEM on HRM strategy varied according to the stage of internationalization and the overall strategy of the firm. Most multinational firms traditionally pass through various stages of internationalization between the evolution from a domestic to a truly global organization.

For some well established international firms '1992' intensifies and sharpens the focus of problems associated with internationalization rather than creates new problems. A small number of highly internationalized businesses who regarded themselves as transnationals (companies with the ability to manage across national boundaries, retaining local flexibility while achieving global integration) felt the nature of the HR challenge of 1992 would be marginal rather than central. Such companies (e.g. the oil companies) tended to see pan-European recruitment and language training initiatives as a response to 1992 but they stressed that fundamental issues such as the supply of managers and management development issues should be related to the broader international strategy of the business rather than '1992'.

'1992' did, however, represent a major HR challenge for 'new' international firms who had internationalized in the recent past and for firms who were significantly shifting the focus of their international activities towards Europe. International HRM strategy, like HRM strategy generally, must be linked to the strategic evolution of the firm. This chapter has highlighted some of the HRM issues and challenges which such firms will face as they undergo the internationalization process. It also suggests that, for British international firms, the recruitment and development of international managers will be the key challenge of the 1990s.

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13 Developing the middle manager for globalization

The case of Electrolux

Mike Regan

It is very often the case that the HR implications of globalization start to be considered at group executive management level and that same examination concludes with the impact of global organizations on senior executive level. Less often do such examinations lead to a focus on middle management despite their importance for globalization. This chapter concerns the necessity to develop middle managers to perform effectively in businesses which have moved through a local, national and regional context, and are increasingly operating on a world stage. The chapter will describe some of the Electrolux experiences, thoughts, and initiatives that we have taken to more readily equip our middle managers to come to terms with the demands placed on organizations during the final part of the twentieth century and into the twenty-first century. We have all, from time to time, used the catchphrase 'think global, act local'. Unfortunately, in many respects, this catchphrase is interpreted by staff within organizations as if the global thinking is undertaken by the top executive group whilst the middle management group act in the same local way that they have always done. We would like to describe how Electrolux has tried to address these issues and to prepare members of local management to play not just an on-going local role, but to understand how important a cog they are in the global whole.

ELECTROLUX: HISTORY AND STRATEGY

Although Electrolux has existed for most of the twentieth century, the foundations of the current structure can more readily be traced to the mid-1960s. From about that period, through the 1970s and early 1980s, a somewhat moribund company was enlivened by a series of acquisitions and the foundation for international expansion established.

In 1962, Electrolux was on a downward curve. Profits were falling and the company had not developed any significant in-house research and development capability. Compared with other appliance manufacturers such as Philips, Siemens, GEC and Matsushita, it had a limited range of products: the core business was made up of vacuum cleaners and